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World Business Newspaper http://www.FT.com THURSDAY FEBRUARY 6 1997

Nato summit with Russia urged on expansion fears

France has suggested to the US, Britain and Germany that they hold a summit with Russia in a bid to overcome its objections to Nato enlargement. The move, which follows President Jacques Chirac's recent visit to Moscow, comes amid outspoken but conflicting Russian signals, arguing against Nato taking in new members from eastern Europe without Moscow's consent. Russian prime minister Victor Chernomyrdin said enlargement could boost support for Russian hard-liners. Page 16

US business fights sanctions threat: Thirty US companies have joined a campaign against the increasing threat of economic sanctions by the US. Countries affected account for between 40 and 50 per cent of the world's population. Page 10

Swiss banks' Holocaust fund: Credit Suisse Group, Swiss Bank Corporation and Union Bank of Switzerland will put up SFr100m ($70m) to establish a fund to aid Holocaust victims and their families in a bid to restore Switzerland's tarnished reputation. Page 2

Clinton in tribute to Harriman:

US president Bill Clinton paid tribute to Pamela Harriman, 76 - the country's ambassador to France who died in Paris of a brain haemorrhage – saying she was "one of the most unusual and gifted people I ever met". The former daughter-in-law of Winston Churchill and widow of multi-millionaire Averell Harriman enjoyed a life as wife or companion to some of the world's wealthiest and most powerful men. Obituary, Page 6

German gloom deepens: A sharp fall in German manufacturing orders and fears about unemployment added to the gloom over the economy. Page 2

Israeli and Palestinian leaders postponed a meeting due today after the crash near southern Lebanon of two Israeli helicopters in which 73 soldiers died. The crash coincides with debate over Israel's involvement in Lebanon and its military death toll. Page 5

Vote bid on expatriates' pensions: British MPs should be allowed a free vote on whether the UK should spend an extra £255m ($410m) a year to unfreeze the pensions of 433,000 British expatriates, a committee said. Page 11

Caribbean garment makers want "Nafta parity" due to the rapid growth in Mexico's clothing exports to the US. They fear North America Free Trade Area restrictions could badly affect their $6bn-a-year market. Page 10

Bank's failure 'unthinkable': Japan's finance minister Hiroshi Mitsuzuka reassured Nippon Credit Bank investors that its failure was "unthinkable" after fears of a liquidity crisis sparked bank share sell-offs. Page 17

A Japanese government panel will today unveil plans to give the country's central bank more autonomy from the finance ministry. The ministry would lose power to order the delay of interest rate changes and other important policy decisions. Page 16 and Lex

Rich nations in aid cuts: The world's richest governments have cut aid to developing countries as a proportion of gross national product to the lowest level for 45 years, partly over pressure to reduce budget deficits. Page 5

Toshiba, the Japanese consumer electronics to power engineering conglomerate, said its consumer products division will break even in 1997 for the first time in five years. Page 17

Investors warn Ramos: The Philippines' foreign business community warned President Fidel Ramos it is losing confidence in the country's privatisation process after court challenges to the award of contracts. Page 16

Grim Russian jobs picture: Unemployment in Russia is far more acute than officially recognised, according to a new study, which challenges more upbeat assessments by the International Monetary Fund and the World Bank. Page 2

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,848.11	(+14.63)
NASDAQ Composite	1,364.26	(-9.49)
Europe and Far East		
CAC40	2,541.25	(+38.18)
DAX	3,098.00	(+30.94)
FTSE 100	4,281.5	(+20.6)
Nikkei	18,185.97	(-128.36)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{1}{8}$%
3-mth Treas Bills: Yld	5.140%
Long Bond	$97\frac{3}{32}$
Yield	6.720%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{7}{32}$%	($6\frac{1}{4}$%)
UK: 10 yr Gilt	$101\frac{1}{2}$	($101\frac{9}{32}$)
France: 10 yr OAT	107.12	(106.84)
Germany: 10 yr Bund	102.35	(102.04)
Japan: 10 yr JGB	104.3969	(104.359)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.71	(22.67)

■ GOLD

New York: Comex		
(Feb)	$345.6	(same)
London:		
close	$343.29	(346.05)

■ DOLLAR

New York: lunchtime		
£	1.642	
DM	1.64525	
FFr	5.556	
SFr	1.4248	
Y	123.5	
London:		
£	1.6323	(1.6169)
DM	1.6484	(1.6415)
FFr	5.5684	(5.5516)
SFr	1.4291	(1.4253)
Y	123.37	(122.175)
Tokyo close:	Y 122.85	

■ STERLING

DM	2.6906	(2.6575)

US finance firms in $24bn alliance

Dean Witter, Discover and Morgan Stanley announce big merger 'of equals'

By Richard Waters and John Authers in New York

Dean Witter, Discover & Co and Morgan Stanley yesterday unveiled a merger which will create the US's biggest securities and investment banking firm with a market value of $24bn.

The deal, achieved by a share swap, brings together Morgan Stanley, one of Wall Street's most prestigious investment banks, which ranks among the leading corporate advisers and trading firms in the US and Europe, with a retail financial services house that has yet to venture overseas.

Dean Witter's Discover credit card, meanwhile, has 36m customers, making it the biggest credit card issuer in the US.

The alliance, which touched off a wave of speculation on Wall Street that others would follow, will leave Dean Witter shareholders controlling 55 per cent of the combined group. The group will have annual revenues of $12bn.

Mr Richard Fisher, chairman of Morgan Stanley, said his company had proposed the merger, intended to pre-empt a wave of consolidation that would overtake the global investment banking industry. "If you believe that consolidation is inevitable, it makes sense to pick your partner," he said.

The share prices of other US investment firms jumped yesterday as Wall Street looked for other possible configurations of retail brokers and investment banks. By bringing together Dean Witter's large network of retail brokers across the US and Morgan Stanley's underwriting and advisory businesses, the two would create a broad-based firm that only Merrill Lynch has so far succeeded in creating, analysts said.

Among shares to rise yesterday were those of retail broking firms such as Charles Schwab and AG Edwards, whose retail networks were seen as making them vulnerable to takeovers. Pure investment banking and trading firms, such as Donaldson Lufkin & Jenrette and Bear Stearns, also benefited from the rally.

Under the terms of the merger, Morgan Stanley shareholders will own 45 per cent of the group, receiving 1.65 shares in Dean Witter for each share they currently hold. Based on the two companies' share prices on Tuesday, that represented an 11 per cent premium to Morgan Stanley shareholders.

Both sides depicted the deal as a merger of equals. Mr Philip Purcell, chairman of Dean Witter, said the exchange ratio was intended to reflect the relative valuation of the two companies over the long term, rather than in the past month, when Dean Witter's stock has jumped in value.

Rivals and industry observers predicted that the two would face considerable problems in making the merger work. "There's a huge culture gap between the two firms," said Mr Don McNees, a management consultant at Tillinghast Towers Perrin.

The two sides brushed aside comparisons with other, failed Wall Street marriages of the past, such as that of Shearson and Lehman Brothers. Mr John Mack, president of Morgan Stanley, said the two were each merging from a position

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Teaming up: dealers from the two US investment firms mull over the merger at the London futures exchange Picture: Brendan Corr

Roche buys US flavours company for $1.1bn

By Daniel Green

Roche, the Swiss pharmaceuticals company, is spending $1.1bn to buy Tastemaker, a US synthetic flavours company. The move will dampen stock market speculation that Roche is about to launch a multibillion dollar drugs industry takeover.

Shares in Zeneca, the UK pharmaceuticals company which has been the subject of rumours of a Roche bid, fell 22½p to £17.37½p yesterday.

Tastemaker is owned in equal shares by Hercules and Mallinckrodt, US chemicals companies.

Mallinckrodt said that during the next 18 months it would buy back up to $250m worth of shares in addition to previously announced buybacks. Hercules said it would also buy back shares. Shares in both Hercules and Mallinckrodt rose in early trading in New York.

The acquisition is Roche's biggest since it bought US drug company Syntex in an agreed $5.3bn takeover in May 1994. It is an attempt by Roche to shore up its only poorly performing division, Givaudan-Roure, which makes flavours and fragrances.

The division had 1996 sales of SFr1.4bn ($985m), about 9 per cent of Roche's total sales, but profitability is below the company's average.

The deal met with a mixed response from investors, with Roche certificates falling SFr155 to SFr12,130 in Zurich.

"We think that Roche should not be putting more money into fragrances and flavours," said Mr Genghis Lloyd-Harris, pharmaceuticals analyst with Credit Suisse First Boston in London. "But if they are going to keep the business, this is a reasonable deal."

He said the deal would make Roche roughly equal biggest in the world flavours and fragrances market. Only US com-

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Prodi rejects idea of Italian Emu delay

By Lionel Barber in Brussels

Mr Romano Prodi, Italian prime minister, yesterday reaffirmed Italy's "solemn commitment" to being among the founder members of economic and monetary union on January 1, 1999.

He angrily rejected the idea that Italy should wait until 2000 or 2001 to join the single currency – a compromise being considered by senior central bankers and monetary officials.

Despite official denials in Paris and Bonn, monetary officials say the idea of delayed entry – reported in yesterday's Financial Times – has been canvassed in Germany, the Netherlands and among central bankers for the past six months.

Mr Prodi is due to take his case to Chancellor Helmut Kohl in Bonn tomorrow, lobbying for the German leader's support for early Emu membership.

The idea of delayed entry is being driven by the fear that, if countries without a record of sound public finances and exchange rate stability join Emu early, they could undermine the European Central Bank and weaken the euro.

The political dilemma has grown as both Mr Prodi and Mr José Maria Aznar, his Spanish counterpart, have staked their reputation on joining the first wave of Emu – though Italy is seen as facing a more difficult task in meeting the Maastricht public deficit target of 3 per cent of GDP in a sustainable fashion.

Mr António Guterres, Portugal's Socialist prime minister, also reacted sharply to the implication that Portugal might be a late entrant.

At his meeting with Mr Kohl tomorrow, Mr Prodi is expected to point to proposals to bring forward next year's budget to this summer as a demonstration of his centre-left government's commitment to restore Italy's public finances.

Mr Prodi's office issued a statement in response to the FT report, saying that the Italian government "deplores the constant repetition of false stories and unjustified statements, including from authoritative media, which have no foundation whatsoever."

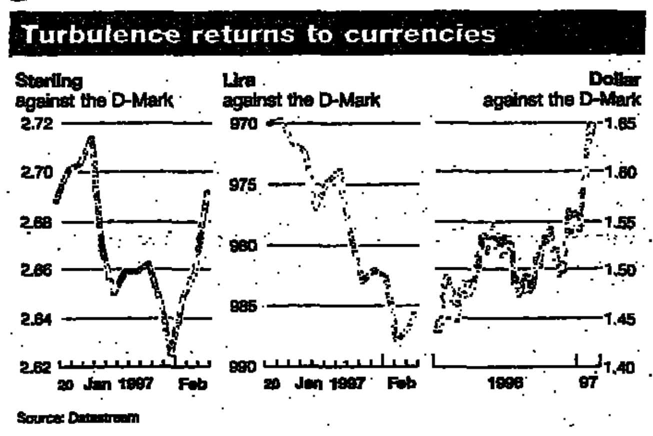
The lira and Italian bonds both rose slightly yesterday, on the grounds, market strategists said, that Italy seemed to be guaranteed entry into Emu, albeit at a later date.

After an initial fall, the lira closed L1.7 higher against the D-Mark at L985.1. Italian BTP 10-year March futures also rallied, closing 0.83 higher at 130.55 on Liffe.

Additional reporting by Simon Kuper in London, Peter Norman in Bonn, David White in Madrid, and Peter Wise in Lisbon.

Lisbon angry, Page 3

Turbulence returns to currencies



Source: Datastream

Thai property developer defaults on $80m eurobond

By Ted Bardacke in Bangkok

Somprasong Land, the Thai property developer, defaulted on its $80m eurobond yesterday, sending the battered Thai stock market to its lowest level in more than four years.

The move raised concerns about the ability of Thai property companies to service their debts.

It was no secret that Somprasong, which cited the circumstances in the property market for becoming the first Thai company to default on a eurobond, did not have the money to pay a $3.1m interest payment due two weeks ago.

But analysts had expected the company's major Thai creditors to bail it out and make the interest payments.

Instead, Somprasong, whose president was arrested in October on charges of falsifying financial reports, has virtually collapsed.

The company said in a letter to Bankers Trust in London, which acts as a trustee for the bondholders, that it would carry out a major capital and debt restructuring via discussions with all company creditors, based on a list of assets due to be ready by March 21.

"This is a fundamental change in the way troubled property companies are treated by their creditors," said an executive involved in dividing up the company's assets. "How this turns out will determine the pattern for other property companies."

Analysts now say they are expecting more failures, especially among companies which invested heavily in Bangkok's residential property sector. An estimated 365,000 residential units are unoccupied and almost 100,000 more will be completed this year.

Meanwhile, a plan to rescue developers announced in January by the new Thai government has been unable to stimulate demand and has turned into an exercise in limiting the exposure of Thai banks and finance companies to the property sectors.

Reflecting these concerns, the stock market's property sector fell 3.42 per cent yesterday, while the overall stock market eased 2.7 per cent to close at 744.59, down 10 per cent this year and more than 45 per cent since the beginning of 1996.

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All change in Swedish power sector

State-owned generator ordered to lead and finance switch to use of renewable energy supplies

By Hugh Carnegy and Greg McIvor in Stockholm

Sweden's power industry faces a big shake-up following the decision by the Social Democratic government to begin shutting nuclear power plants.

The move follows a 1980 referendum vote to end nuclear power. But there were fears yesterday that the decision would reverse the trend of liberalisation that has made Sweden a testing ground for deregulation of energy markets across Europe.

To remedy the loss of power from nuclear plants – which supply 50 per cent of Sweden's electricity – the government is to step up intervention in energy markets and force a switch to greater use of non-fossil fuel alternatives.

Most striking was the announcement of a much-changed role for state-owned Vattenfall, Europe's sixth largest power producer. Incorporated in 1992 on a for-profit basis, Vattenfall will now be required to lead and finance the transition to sustainable energy production. The government ruled out privatising the company, which many investors had been expecting.

In addition, the government made clear that Vattenfall, which was informed of its changed status only two hours before the decision was announced, would be forced to use its production capacity to compensate Sydkraft, its biggest rival, for the closure of the first two reactors, at Barsebäck in southern Sweden.

The government also indicated it intended to strengthen control over imports and exports of electricity through state-owned Svenska Kraftnät, the national grid operator. "The principle shall be that the state through Svenska Kraftnät will own and administer foreign (power) links. Only Svenska Kraftnät should be given concessions for future foreign links," it said.

The change in Vattenfall's role could have far-reaching effects on a wave of restructuring within the Nordic power sector sparked over the last year by deregulation of trade in electricity in Sweden, Norway and Finland.

As the region's biggest producer, with a 25 per cent market share, Vattenfall has been a key player in a round of acquisitions and partnerships between Nordic and other European generators anxious to build up volumes. But its ability to participate may now be restricted by its new obligation to spend its cash on developing alternative fuels.

Mr Karl-Axel Edin, of Tentum energy consultants in Stockholm, said foreign companies could find it easier to gain ground in Sweden as a result. "This is a pity as Vattenfall has become a leader in the Nordic countries in this business. A greater part of the generating and distribution network could fall into foreign hands. I don't think the government understands the real consequences of their decision in this respect," he said.

Vattenfall officials acknowledged the changes would weaken the company's competitive position in Nordic markets and limit its capacity to operate abroad. Share prices in private sector generators surged as investors anticipated that the nuclear shutdown will cause a shortage of power. Shares in Sydkraft, which owns the two reactors to be shut by July 2001, have risen 9 per cent this week.

New demands on Serb leader as he manoeuvres to keep power

Milosevic loses battle but not war

Guy Dinmore reports on how the president's hand was forced and what options are now open to him

Serbia's pro-democracy opposition leaders refused yesterday to call off their mass anti-government street protests, insisting that President Slobodan Milosevic first hand over municipal councils they won in local elections last November and implement democratic reforms.

Mr Zoran Djindjic, leader of the Democratic party, told supporters the Socialist government must meet a list of demands, including punishing those responsible for last November's electoral fraud and those who ordered police attacks on demonstrators this week. He also called for an end to total state control over national television and radio. Yesterday, hundreds of riot police sealed off streets to prevent marches through Belgrade.

Western diplomats, who had lobbied hard to persuade Mr Milosevic to accept the electoral findings of a mission to Serbia by the Organisation for Security and Co-operation in Europe, fear the new demands will prolong the current deadlock.

"Now it is a dangerous situation," said Mr Stojan Cerovic, a respected Belgrade commentator. "The opposition will try to exploit this mass protest movement, not to leave Mr Milosevic alone."

The fragile three-party Zajedno coalition, which has committed itself to ending 52 years of Socialist rule and implementing full economic liberalisation, says it needs democratic reform to give it a more equal chance of translating local election gains into victory in parliamentary and presidential elections this year.

Mr Djindjic, known both as an anarchist and communist in his student days, is likely to become Belgrade's next mayor. But he and Mr Vuk Draskovic, a fiery orator and nationalist writer who heads the Serbian Renewal Movement, have yet to agree on who will run for president. Mrs Vesna Pesic, long known for her opposition to the war in former Yugoslavia which Mr Milosevic ignited, is head of the coalition's junior partner, the Civic Alliance. While the three parties are united in their commitment to broad democratic principles, they are separated by personal interests.

While Mr Milosevic has been considerably weakened by three months of protests, analysts say his 10-year rule as one of the last of Europe's old-style autocrats is not over yet. He is expected to cling to his twin pillars of support – control over media with a nationwide reach and the 100,000-strong police force – to remain in power. The strongly nationalist Orthodox Church, which backed the government during the war in Croatia and Bosnia, has turned against Mr Milosevic; the army has declared its neutrality.

Mr Milosevic's blunder, diplomats say, was to order, or at least allow, riot police to use water cannon and teargas against demonstrators on a Belgrade bridge on Sunday night.

The hardliners realised the next day their use of force had backfired. Independent BK Television, run by a former ally of Mr Milosevic, broadcast footage of the crackdown across half of Serbia and tens of thousands of people rallied in Belgrade's Republic Square to demand that Mr Milosevic and security chiefs resign.

BK Television may now lose its transmitters as punishment, but diplomats believe the failure of the police to cow demonstrators finally allowed Mr Milosevic to persuade party hardliners to reinstate the November election results.

With Serbia's economy close to total collapse and in desperate need of foreign credit, Mr Milosevic has been repeatedly told by the international community that only democratisation can alleviate his crisis. But most Belgrade analysts believe it was the domestic pressure that forced him to reverse his annulment of the election results.

Mr Cerovic predicted that the president would try to shore up his position with a purge of his party and government. "Many people in his regime are dissatisfied," he said. Analysts do not believe, however, that there is a serious threat to Serbia's ruling couple – Mr Milosevic and his wife Mirjana Markovic.

Analysts say Mr Milosevic may call early national elections before Zajedno can organise a coherent campaign but must first overcome a constitutional ban on his serving a third term in office. He has manipulated the constitutional court before and could try again. Failing that, he have the federal assembly of Yugoslavia, now comprising just Serbia and Montenegro, to appoint him federal president but only after bolstering the powers of that office.

Mr Milosevic's Socialists won a sweeping majority in the federal assembly in undisputed elections last November, demonstrating that the president still commands considerable support, particularly among the rural community and other more traditional voters.

But the man who eight years ago could muster a rally of a million ardent supporters seems left with few friends in Belgrade. "I liked him in the beginning and then I stopped liking him because he did very little for his people," said one old woman at yesterday's pro-democracy rally. She said she was one of many Serb refugees driven out of Krajina by Croatian forces in 1995. For her, last November's electoral fraud was the last straw.

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Violence as fourth Albanian fund collapses

By Kevin Done and Kerin Hope in Tirana

Violent unrest erupted in Albania's southern port city of Vlora yesterday, as the collapse of a fourth large pyramid finance scheme undermined government efforts to restore order by starting payouts to investors in two other failed schemes.

In Vlora police used water cannon and fired shots into the air to try to disperse several thousand people who threw stones and shouted abuse against President Sali Berisha's government.

The protesters were angered by the announcement of the bankruptcy of Gjallica, a Vlora-based deposit-taking company, one day before it had promised to resume payments to savers after several weeks.

Troops were deployed to help block access to Vlora from other parts of the country, with investors reported to be travelling to the city from as far away as Greece to reclaim their deposits.

Across the country the government began making the first repayment of funds totalling around 27bn leks ($217m) it had managed to freeze in the bank accounts of two failed foundations, Xhaferri and Populli.

In the capital, Tirana, scores of desperate savers waving frayed deposit slips pressed against the window grilles of makeshift offices. They demanded full repayment rather than the respective 52 per cent and 60 per cent of deposits in the two schemes salvaged by the government.

"I sold my home to invest in Populli, so that I could get a better flat. We were two families living in two rooms and a kitchen," said Monda, a 37-year-old wife of a metal-worker with two children. "I have no income, and I am facing divorce because my husband blames me for losing all our money. I will be living on the streets."

The collapse of Gjallica, however, adds a new dimension to the financial crisis facing Albania. Previous failures have involved so-called charitable foundations, and the Vlora-based company is the first failure of a deposit-taking company that has claimed to be making productive investments.

It is believed to owe depositors as much as $300m but to have assets worth only a fraction of this amount.

The other leading companies with productive investments that are believed to be based on pyramid schemes – Vefa Holding, Kamberi, Cenaj and Silva – are under severe financial pressure as new sources of deposits have dried up. Yesterday these four groups announced that they were joining forces to apply for a banking licence. In a first step they had formed a new institution called the Financial Union in order to boost confidence among their depositors.

Having already halted repayments of capital, Vefa has been unable to make any interest payments for the past three days. It has broken its contracts by cutting promised interest rates on existing deposits to only 3 per cent a month from recent agreed levels of 8-10 per cent and has been forced to halve the salaries of its administrative employees.

In an effort to avoid renewed violent confrontations that would ensue from the collapse of these groups, the government has begun to float proposals for turning them into shareholder companies with investors receiving shares for their deposits.

Grim jobs picture emerges in Russia

By John Thornhill in Moscow

Unemployment in Russia is a far more acute problem than is officially recognised, according to a new study, which claims more than a third of the industrial workforce is "suppressed unemployed".

The report, based on the largest and most detailed labour surveys since 1990, highlights the social pain of Russia's transition process and challenges more upbeat economic assessments by the International Monetary Fund and the World Bank. It urges these institutions to put far more emphasis on welfare support.

Mr Guy Standing, a director of the International Labour Organisation, who wrote the report, says official joblessness figures are an "administrative artefact" which conceal the unemployment level "in the most cruel way possible".

"There is enough evidence to assert with regrettable confidence that, on average, living standards have plummeted, that the economic slump has been prolonged and is continuing, and that the consequences for poverty and economic inequality have been very severe," he says.

German finance minister Theo Waigel (right) and Russian counterpart Alexander Livshits exchange documents yesterday after agreeing to reschedule DM25bn ($16bn) of loans to the former Soviet Union, guaranteed by Bonn and due to be paid between 1996 and 1998. Reuter

As at December, the state statistics committee estimated that 2.78m people, or just 3.4 per cent of the working population, were registered as unemployed.

On the ILO's methodology, the unemployment rate stood at 9.5 per cent in July 1996, but even that understates the true position, the report argues.

The unemployed are discouraged from registering because of the very low levels of benefit available. Laid-off workers, who have no chance of regaining their jobs, are also excluded from the official unemployment registries. Enterprises keep surplus workers on their books to avoid additional tax and redundancy payments.

Workers have had few incentives to quit their nominal jobs for fear of losing access to subsidised shops and hospitals.

Premature deaths have also obscured the problem of rising unemployment. Since the late 1980s, the average life expectancy for males has declined from 65 to 58. The number of working-age people who died from alcohol-related causes more than tripled between 1990 and 1995.

Based on regular surveys of 501 enterprises, the report forecasts no early pick-up in economic activity – 23.5 per cent of companies polled in 1996 feared they would go bankrupt within 12 months.

"In terms of production, capacity, commercialisation, indebtedness and fears of bankruptcy, Russian industry in 1996 seemed to be as deep in economic crisis as in previous years," the study says.

Some economists have argued that Russia's seemingly flexible labour market has been one of the wonders of the reform process, allowing workers to migrate from overstaffed Soviet-era enterprises to better paid jobs in the emerging, and often unrecorded, service sector.

But the report maintains there has been a steady and very substantial cut in total employment since the 1980s, at a time when the working age population has risen. According to official statistics, employment fell 8.2m between 1990 and 1995, while the size of the working age population rose slightly.

While there has been growth in informal economic activity, many of these "grey" jobs are taken by those already counted as employed, the report says.

Russian Unemployment and Enterprise Restructuring: Reviving Dead Souls. Guy Standing. Macmillan Press. 1996. Also updated ILO paper of same title. Geneva. 1997.

Big three set up fund in bid to restore country's tarnished image

Swiss banks to aid Nazi victims

By William Hall in Zurich and Norma Cohen in London

Switzerland's three largest banks have agreed to put up SFr100m ($70m) to establish a fund to aid victims of the Holocaust and their families, in an attempt to restore the country's tarnished international reputation. Credit Suisse Group, Swiss Bank Corporation and Union Bank of Switzerland will put the money into an escrow account at the central bank.

It is only a fortnight since Mr Rainer Gut, chairman of Credit Suisse, first raised the idea of establishing such a fund before the results are known of the government investigation into Switzerland's wartime record. Yesterday's decision reflects mounting concern that allegations about the country and its banks were damaging their reputation abroad.

The three big banks are much more dependent than foreign rivals on international business and said yesterday in a joint communiqué: "The time has come for action not words." They said the account was open for contributions from other parties, including the Swiss government and the central bank.

When Switzerland paid over SFr250m in 1946 to settle allied claims on looted Nazi gold held in Switzerland, the Swiss National Bank, the central bank, put up SFr100m, and there has been some surprise in banking quarters that it has not taken a more active role in the current discussions.

The central bank is independent but has indicated that it will await the lead of the government, which has agreed to back the formation of the fund without committing itself to contribute. It will make its decision after results of a preliminary official study into the Swiss National Bank's gold transactions and the government's refugee policy which are due before the summer.

Jewish groups welcomed the announcement. "The ice on the Swiss alps is melting," said Mr Shimon Samuels, director for international affairs at the Simon Weisenthal Centre in Paris.

"We note with satisfaction that this is only an initial infusion," said Mr Elan Steinberg, chief executive of the World Jewish Congress.

Privately, representatives of Jewish organisations concede that deciding how to distribute to claimants would be difficult. However, there is broad agreement with a call last week by the US deputy assistant secretary of state, Mr Stuart Eizenstat, to give priority to Holocaust survivors and their heirs in central and Eastern Europe who have been ineligible for any compensation schemes so far.

The Weisenthal Centre is also urging that non-Jewish victims of Nazi persecution be eligible for compensation.

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EUROPEAN NEWS DIGEST

Ukraine bank chief re-elected

The Ukrainian parliament yesterday voted a second term of office for Mr Victor Yushchenko, the central bank governor credited with reining in inflation.

Tight monetary policy kept inflation last year at 38 per cent, down from 10,000 per cent in 1993, when Mr Yushchenko took over. He said yesterday Ukraine would finance its budget deficit increasingly from sales of government treasury bills, which in recent months have attracted western investor interest.

President Leonid Kuchma told deputies that Ukraine's financial system would suffer without Mr Yushchenko, one of the most respected governors in the former Soviet Union. No other serious candidate emerged to head the central bank but Mr Yushchenko has been a favoured target for the left and the industrial lobby, which wants easier government credit. *Matthew Kaminski, Riga*

French civil servants to strike

French civil servants will strike for a day on March 6 in protest at a 2.8 per cent pay offer. Unions have demanded 4.4 per cent.

The government is determined to hold the line on public pay in order to qualify for monetary union. It has refused unions' demands for "compensation" for last year's wage freeze. Its offer of 2.8 per cent matches the expected inflation rate in 1997-98. *David Buchan, Paris*

VW-ABB row over paint plant

Volkswagen and ABB, two of Europe's biggest industrial companies, remained at loggerheads yesterday in a dispute over the costs of equipment for a paint plant installed by ABB at VW's Skoda subsidiary in the Czech Republic. The issue has gained significance after Zurich prosecutors confirmed this week they were pursuing allegations of blackmail on the basis of information supplied by ABB.

Last month, VW said a manager in its purchasing division had been suspended after internal investigations into the paint plant. The new facility, believed to have cost about DM130m ($79m), was installed last summer as part of a DM700m expansion at Skoda. The dispute has triggered reports in the German press that VW staff demanded bribes from suppliers. *Haig Simonian, London*

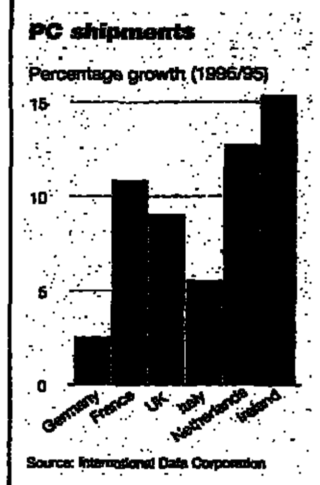
German employers lose case

German building employers' unilateral action last August to cancel a wage agreement for eastern Germany was illegal, a court ruled yesterday. The labour court in Wiesbaden backed the IG Bau trade union and ordered the employers to stand by the wage deal that provided for a 1.85 per cent rise and step-by-step increases in eastern German wages to west German levels. It said the employers had failed to seek a renegotiation of the agreement.

The building industry federation said it might appeal to a higher court in Frankfurt.

Mr Klaus Wiesehügel, the IG Bau leader, hailed yesterday's ruling. Mr Wilhelm Küchler, deputy president of the building industry federation, said the failure in 1996 of 1,850 eastern German construction companies with the loss of 30,000 jobs showed the employers' action was justified. *Peter Norman, Bonn*

PC sales growth slows



Sales of personal computers in western Europe slowed markedly in the fourth quarter last year, holding full year growth down to 7.1 per cent, according to figures from the IDC market research organisation. Overall shipments of branded PCs increased to 15.9m last year, from 14.85m in 1995.

Year-on-year sales grew by only 6.2 per cent in the final quarter, mainly reflecting sluggish retail sales in most markets except the UK. Germany remained the largest market, although shipments only grew by 2.6 per cent to 3.91m and actually declined in the fourth quarter by around 4 per cent. This was attributed by IDC to home market saturation. In contrast France, Belgium, Denmark, Finland and Ireland all recorded growth of more than 10 per cent.

In terms of vendors, Compaq gained market share both year-on-year and in the final quarter. Dell Computer benefited from its determined assault on the corporate market while the combined Packard Bell/NEC/Zenith Data Systems entered the top five. Another newly consolidated vendor, Fujitsu/ICL, made strong gains in the German market, particularly in the fourth quarter. *Paul Taylor, London*

Basque leaders head for jail

The stage appeared set yesterday for the entire leadership of Herri Batasuna (Popular Unity), the Basque separatist coalition party linked to the outlawed Eta organisation, to be jailed.

Two members of its executive council were remanded on Tuesday after refusing to answer a supreme court summons and failing to produce bail of Pta5m each ($36,000). A third was arrested overnight and others on the 25-member council, scheduled to appear by February 18, are expected to take the same stance.

The case is over a 1996 election video, which featured Eta members, and statements issued by the party following two pre-election assassinations. Moderate Basque nationalists have criticised the summonses, arguing that they provide a propaganda platform for the party. Mr Jon Idigoras, a Herri Batasuna official already remanded by a national court judge over the same case last year and due to appear at the Supreme Court next week, yesterday called into question the independence of the justice system and claimed the summonses were political. *David White, Madrid*

ECONOMIC WATCH

German gloom deepens

An unexpectedly sharp fall in orders for German manufactures in December and fears that the January unemployment total, due today, will exceed 4.5m added to the gloom about the German economy yesterday.

The economics ministry reported that orders fell in volume terms by a seasonally adjusted 1.4 per cent in December compared with November, reflecting a 2.7 per cent drop in orders from abroad and a 0.4 per cent decline in domestic orders.

Meanwhile, unconfirmed reports from Nuremberg, the home of the federal labour office, suggested that seasonally unadjusted unemployment last month rose by close to 0.5m to 4.6m, some 200,000 up on previous expectations and well above the previous record of 4.27m in February 1996. Mr Holger Fahrinkrug, an economist at the Frankfurt office of UBS, the Swiss bank, said Germany was experiencing a growth pause but he forecast "a pronounced upswing in exports and investment" later in 1997. *Peter Norman, Bonn*

Bulgarian Socialists block attempt to stabilise currency

By Anthony Robinson in London and Theodor Troev in Sofia

Bulgaria's ruling Socialist party last night blocked an attempt by the opposition Union of Democratic Forces (UDF) to implement key financial legislation aimed at stabilising the currency.

The lev has plummeted during a month of street protests which ended on Tuesday with the Socialists agreeing to hold elections in April.

The UDF decided to end its boycott of parliament to try to push through amendments to the state budget law, the central bank law and profits tax legislation which would have paved the way for the conversion of the central bank into a currency board, as suggested by the IMF.

But the Socialist party, unwilling to ease the task of a future UDF-supported caretaker government, decided that it would only attend parliament to pass the law dissolving parliament and opening the way for elections.

The opposition cannot muster a quorum to pass laws to approve this year's budget and allow a caretaker government to prepare a currency board.

President Petar Stoyanov is expected to appoint a caretaker administration within 10 days to govern until elections are held in the middle of April.

The IMF has indicated it is prepared to send a mission to Bulgaria to help set up the currency board once a caretaker government is in place.

The establishment of a currency board is seen as the essential first step towards the financial stabilisation of the economy. It deprives the government and central bank of the ability to print money to bail out loss-making companies and finance the government debt by rigidly linking the domestic money supply to the level of foreign exchange reserves.

But the currency board regime works by forcing governments to cut costs and staff and to close loss-making enterprises. It would inevitably result in higher unemployment and a protracted squeeze on real incomes, a point underlined by Mr Stoyanov yesterday.

The president warned demonstrators still jubilant at their defeat of the ruling Socialist party that tough times lay ahead. He promised that both the presidency and future governments would be honest about the situation but that there would be no quick or easy solutions.

Mr Stoyanov has emerged as a crucial moderating figure on the Bulgarian political scene. But Mr Ivan Kostov, the UDF leader and several other party figures yesterday continued the fierce rhetorical attacks on the Socialist party.

Bulgarian Brady bonds continued to strengthen in trading yesterday as the markets reacted favourably to signs of a solution to the political crisis. The lev also stabilised at around 2,700 to the dollar. But consumers face mounting difficulties as pharmacies, petrol stations and stores selling imported products close down or run out of stocks and are unable to pay for new supplies.

Bourgas refinery – the main source of petroleum products – was reported last night to have run out of crude oil. A tanker bringing Russian oil from the Ukrainian port of Odessa was due to arrive shortly but that would only provide petrol for five days. Petrol prices will rise 48 per cent today in line with the government's monthly price adjustment which reflects the lev/dollar exchange rate.

Lisbon angry at possibility of Emu delay

By Peter Wise in Lisbon

Mr António Guterres, Portugal's Socialist prime minister, yesterday attacked suggestions that the entry of southern European countries into economic and monetary union might be delayed.

"Any decision on Emu membership which is not strictly based on the objective compliance of individual countries with the convergence criteria would be totally unacceptable to Portugal," he told the FT.

Mr Guterres, whose government wants Portugal to be among the first countries to adopt the euro in 1999, was reacting to a reported plan to postpone the entry of Italy until 2000 or 2001 that could also be extended to Spain and Portugal.

"The Maastricht treaty does not envisage the formation of regional blocs and any distinction in the treatment of individual countries is unacceptable," he said. "Portugal wants to be judged on its own merits."

He is concerned that Portugal and Spain, regardless of their better economic performance, will be grouped with Italy as "second wave" countries barred from the first stage of Emu to ease German fears about a weak euro.

Attacking those who oppose southern European participation in the first wave, he said: "These unorthodox theories about the euro tend to come from people who are suffering a crisis of confidence about themselves or about the future of Europe. Portugal does not share their lack of confidence."

The escudo was "one of the most stable currencies" in the European Monetary System and would contribute to a strong euro, Mr Guterres said.

His comments came shortly after Mr António Sousa Franco, Portugal's finance minister, told a parliamentary committee that recent statements on which countries would be included in the euro amounted almost to direct interventions in foreign exchange and monetary markets.

Portuguese government officials acknowledge privately that they are concerned about the impact of the Emu debate on financial markets. Mr Sousa Franco has warned of increased foreign exchange volatility, and the Bank of Portugal has had to

Prime Minister António Guterres: "Unacceptable"

intervene recently to prevent both excessive appreciation and depreciation of the escudo.

But a senior Lisbon bank economist said yesterday that any depreciation of the escudo in 1997 was unlikely to be at a level that would threaten Portugal's compliance with the inflation criteria for Emu. He said that inflation, which is forecast to fall from 3.1 per cent in 1996 to about 2.6 per cent this year, was Portugal's most vulnerable area. The country was almost certain to comply with all the other criteria.

Kohl party calls for more talks on controversial plans

CDU ducks pensions issue

By Peter Norman in Bonn

Chancellor Helmut Kohl's Christian Democratic Union yesterday deferred a decision on reforming Germany's pay-as-you-go pension system, an issue that has split the party and the governing coalition in Bonn in recent days.

In a move to paper over the cracks, the party leadership agreed instead to hold further internal discussions. These would be followed by talks with the Christian Social Union, the CDU's Bavarian sister party; then with the Free Democrat party, the junior coalition partner; and finally with the opposition Social Democratic party. The latter controls the Bundesrat, the second chamber of the Bonn parliament representing the federal states.

Inconsistencies between government proposals for lower tax rates and reduced tax privileges for affluent pensioners, on the one hand, and the plans of Mr Norbert Blüm, the labour minister, to raise pension contributions and reduce the level of pensions, on the other, brought Mr Blüm into open conflict with Mr Kohl and Mr Theo Waigel, the finance minister, late last month.

Although Mr Blüm has gained strong support from the CDU's left wing, his proposals ran into strong criticism from younger Christian Democrat politicians, most of the CSU, the FDP and employers. They are also opposed by trade unions and the opposition SPD.

In a move to reconcile differences within the CDU, the party leadership yesterday accepted Mr Blüm's ideas for developing the existing system as the basis for further discussion.

But Mr Peter Hintze, the party's general secretary, added that discussion of other options remained possible.

Mr Hintze said that pension reform should encompass three goals: the reduction of non-wage labour costs; a reduction in the role of the state in the economy; and the achievement of a fair sharing of burdens between young and old.

Many critics of Mr Blüm have charged that his plans will fail to meet these targets.

The CDU general secretary strongly denied that the party's aim of involving the SPD in pension reform was a precursor of a "grand coalition" of SPD and CDU to solve Germany's problems.

The SPD yesterday reacted coolly to the idea of co-operating with Mr Kohl's party on pensions, saying there was "only a small window open" for joint solutions.

Medallion man: Kohl wears medals from across the nation at a reception yesterday to mark the carnival season Reuter

French press revels in Tapie disgrace

By Andrew Jack in Paris

Mr Bernard Tapie, flamboyant socialist politician, Eighties-style get-rich-quick businessman and - since Monday - prison inmate, has lost none of his fascination for the French press.

Yesterday's papers devoted substantial space to the failure of his final appeal against spending the next eight months in jail.

Time finally ran out for Mr Tapie on Tuesday, when the country's highest appeal court rejected his plea for clemency, confirming his sentence of two years imprisonment – including 16 months suspended – for football match rigging and interfering with witnesses.

For a second day, the rightwing Le Figaro ran a Tapie story on its front page and an interview inside, while the Communist party's L'Humanité splashed his continued presence "in the shadows" across the entire front.

Before the court's verdict, Le Monde mischievously ran a front page profile of Mr Tapie on Tuesday afternoon entitled "Number 265 449 G" – Mr Tapie's prison identity. Under standard procedure, he spent the night before the judgment in jail.

The leftwing Libération and the populist tabloid Le Parisien, relegated Mr Tapie to inside pages after both gave him front page treatment and two inside pages on Tuesday morning.

Only the business papers Les Echos and La Tribune played down the story – a decision a columnist in the latter said was nothing to with "prudery or embarrassment" but rather because "enough is enough".

The continued interest in most papers is best explained by two cartoons on the subject in yesterday's edition of the weekly satirical paper Le Canard Enchaîné.

In one, Mr Tapie says to two fellow prisoners: "Hey guys, what do you say to creating an investors' club?"

That hints at his continued ability to reinvent himself, most recently revealed in both his plans to star in a second film and to act as a consultant for a US construction company.

In the other cartoon, two prison guards show him the closed-circuit television in his cell, reassuring him: "You won't feel out of place: there's plenty of cameras here too" – a reference to the mutual attraction of the man always ready with a quip, and a national media so keen to repeat it.

N Korea grain impasse 'halts peace talks'

By Peter Montagnon in Washington

North Korea's failure to finalise a contract to import 500,000 tonnes of US grain lies behind its decision to postpone talks this week on fresh security arrangements in the Korean peninsula, according to US officials and commodity market traders.

The US government awarded a licence to Cargill, the Minnesota-based commodity dealer, to export the grain as part of the complex negotiations that led to Pyongyang's apology last December for its submarine incursion into South Korean waters.

That apology also paved the way for North Korea to attend a briefing session on proposals for four-power security talks scheduled for this week.

But the grain negotiations have reached an impasse because of Cargill's inability to reach satisfactory agreement on precise amounts, timing of deliveries and the pricing of the mineral goods which North Korea is to deliver in exchange for the grain, commodity traders said.

Cargill said yesterday: "We are pursing a commercial transaction that is not tied in any way to higher-level diplomatic negotiations. We are a commercial company, and the sale is a commercial transaction, and is not being supported in any way by government aid or credit."

North Korea, which this week admitted that its 2.5m tonne autumn harvest was only about half the level needed to feed its population, had hoped for speedy grain deliveries to ease its pressing food shortage.

But traders said barter deals were always difficult to organise, especially with cash-strapped countries such as North Korea which had a poor record for respecting contracts.

US officials said Pyongyang had apparently failed to understand that the licence simply set a ceiling on the amount that could be exported over a period of time. The US government could not force Cargill, a private company, to conclude any commercial deal, much less trade the full amount at once.

A further opportunity to help North Korea with its grain shortage may come shortly when the UN World Food Programme issues an appeal for 100,000 tonnes in food aid worth almost $40m.

The US has given $8.2m in food and medicine aid to North Korea over the past two years and is likely to view the UN appeal sympathetically. But there are doubts whether this will be enough to bring Pyongyang back to the security talks. The appeal is small compared with North Korea's total need.

Last year, Pyongyang got some 500,000 tonnes of grain from all sources. Much of that came from China, though in a rare gesture South Korea provided 150,000 tonnes.

Shanghai sees rise in invisible unemployed

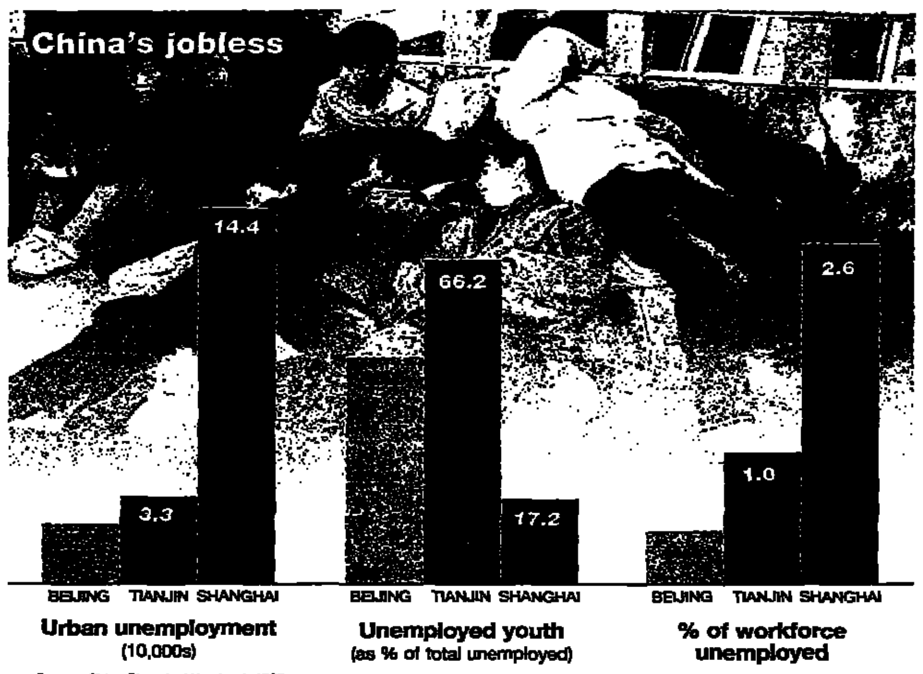
Chinese officials are worried as bloated enterprises put off workers. James Harding reports

In the past two years, Mr and Mrs Hua have been laid off from a state-owned Shanghai electronics company, Mr Wang has been laid off from a shipyard and Mrs Zhang from a textile mill. None has found full-time work but none is "unemployed".

Instead, the Huas, in their early 50s, have been encouraged to take early retirement, Mr Wang is still on the shipyard's books and occasionally drives an unlicensed taxi; Mrs Zhang is a housewife getting subsistence pay from her old employer.

These unregistered redundancies help keep the shine on Shanghai's statistics, which purport to show 1966 unemployment was only 150,000 or below 3 per cent.

"No one believes the 3 per cent figure," says one local economist. The figures are too low "but who can say by how much?"



Source: China Statistical Yearbook 1995

Unofficial unemployment, widespread under-employment, an influx of unskilled migrants and a swelling number of pensioners are all turning Shanghai – a city in the forefront of China's conversion to capitalism – into a showcase of the benefits and social costs of a market economy.

Workers laid off by state-owned enterprises and kept on a subsistence wage by their old employers are put in a different category from the unemployed, who have no ties to any work unit.

Their numbers rose 20 per cent last year to 270,000, officials reported last month. But in private, municipal party officials fear the problem is several times bigger.

An internal paper, commissioned by Mayor Xu Kuangdi, is understood to estimate real unemployment and under-employment at between 15 and 20 per cent.

Government researchers calculate that only 5m-6m people are in full-time employment out of a potential labour force of more than 8m in a city with 13m registered residents.

The internal documents are understood to calculate the migrant worker population in Shanghai at over 3m. They are separate from the official figures, but are a key factor in explaining the swelling jobless problem, as the lowest rungs on the labour ladder – manual and menial jobs paying about $1.30 a day – have been taken by unregistered arrivals from rural areas.

Widespread under-employment also helps explain the shortfall between the official figure of 470,000 out of work (unemployed and state enterprise redundancies combined) and the more than 2m people not in full-time work.

"The published unemployment figures are so ill-reflective of the real economy that no one really knows what is going on. All we do know is that there is a heavy under-employment problem," says the China representative of one international financial institution.

As an indication of the scale of the unemployment problem, there are 3,711 workers at the No.2 Cotton Mill in Shanghai, but more than 500 have been "suspended from active work".

There are redundancies also on the books of the No.13 Semiconductor Factory, which has laid off 100 people in the past five years, leaving 300 employees, but only 90 in full-time work.

Red Lantern Radio is an acute case, having halved the workforce in the past three years to 1,000 but employing just over 50 workers on company business.

There are hundreds of such cases where workers still registered with the state enterprise are redundant; they are said to be "waiting for a new post", "changing posts", "awaiting retirement" or "relocated for internal digestion".

The World Bank's estimate that redundant workers account for more than 10 per cent of the workforce at most state enterprises is, if anything, conservative.

A bloated workforce weighs down many potentially profitable Chinese companies.

Disguising the figures can distort the local economy. The merger trend in Shanghai has, in part, been driven by political pressure to absorb redundant workers.

In the long term, coping with an official unemployment rate comparable with western levels will strain municipal finances, already burdened by infrastructure commitments. The 33.3 per cent jump last year in Shanghai's helping-the-poor fund signals the direction of municipal welfare costs.

China's Communist party, whose mandate has rested on delivering increased prosperity, is sensitive to the potential social unrest linked to jobless masses.

The concern in the upper echelons of the Shanghai government was underlined this month by Mr Huang Ju, Shanghai party secretary, who urged that "the re-employment programme for suspended workers should be accelerated". Re-employment and training are part of Shanghai's solutions to the problem; so is a long-term decline in the registered population.

Meanwhile, the China Business Daily, the official party newspaper, says Shanghai's unemployment can be kept under 3 per cent as long as the city maintains economic growth of at least 11 per cent.

But Mr Xu, the Shanghai mayor, last year warned that the ranks of Shanghai's jobless would swell as the city's service sector could not generate enough jobs to compensate for a decline in manufacturing industry. "Shanghai is still facing great pressure," he said.

ASIA-PACIFIC NEWS DIGEST

Sharif attracts more support

Mr Nawaz Sharif, Pakistan's prime minister-designate, said yesterday he expected the support of other members of parliament to boost the already hefty absolute majority his party won in last Monday's elections. The Pakistan Muslim League won 134 seats in the 217-member parliament against 17 secured by the Pakistan People's party led by Ms Benazir Bhutto, the deposed prime minister. The ML's strength in parliament would reach 170 with support from others, he told party workers in his home town, Lahore. His party did not need the support of others to form a government but "we will take along allies," he said.

The new parliament is to hold its first session on February 15, to be followed by Mr Sharif's induction as prime minister. Pledging to build Pakistan into a true Islamic welfare state, Mr Sharif said he would combat illiteracy, poverty and corruption, develop economic self-reliance and reduce Pakistan's debt burden of $30bn.

Mr Sharif's ally, the Awami National party, secured nine seats and 12 went to the Mohajir Qaumi Movement, an ethnic group based in Karachi. Independents and minor groups have 29 seats. Results of three seats and another 10 seats reserved for non-Moslem minorities are still awaited. *AFP, Islamabad*

Korean bank chiefs arrested

Two South Korean bank presidents were arrested yesterday for receiving $500,000 each in return for granting loans to the bankrupt Hanbo steel and construction group. Mr Sheen Kwang-shik of Korea First Bank and Mr Woo Chan-mok of Cho Hung Bank were alleged to have provided Won680bn ($787m) to Hanbo last year in spite of the group's shaky finances. Hanbo received a total of Won5,000bn in loans from 61 banks and other financial institutions in the last four years to construct a giant steel mill that proved to be unprofitable.

Meanwhile, a prominent opposition MP became the first politician to admit he had taken money from Mr Chung Tae-soo, the Hanbo founder, as political donations. In response to ruling party allegations, Mr Kwon Roh-kap, a close associate of opposition leader Kim Dae-jung, said he had accepted nearly $200,000 from Hanbo on three occasions since 1993. *John Burton, Seoul*

Philippines inflation dips

Philippine inflation fell year-on-year from 5.2 to 5 per cent in January, in spite of a moderate rice price rise, according to figures released yesterday. The National Statistical Office said it had revised the inflation figure for December, earlier put at 5.1 per cent, to 5.2 per cent after updating water rates in the Manila area. The revision did not alter the final figure for 1996 of 8.4 per cent. *Justin Marozzi, Manila*

Bond sentenced to four years

Mr Alan Bond, who became one of Australia's most prominent entrepreneurs in the 1980s before crashing into personal bankruptcy in 1992, was yesterday sentenced to four years' jail over charges that he defrauded the Bell Resources group of more A$1bn (US$760m) by siphoning the money out of Bell and into his Bond Corporation. Mr Bond pleaded guilty to two charges in the matter last year, with the prosecution agreeing to discontinue a further three charges. *Nikki Tait, Sydney*

Rich nations make sharp cuts in aid

By Graham Bowley, Economics Staff

The world's richest governments have cut their aid to developing countries as a proportion of gross national product to the lowest level for 45 years.

Pressure on governments to reduce budget deficits as well as "compassion fatigue" and growing public cynicism meant official aid fell sharply in 1995, says the latest report from the Organisation for Economic Co-operation and Development.

However, the decline was offset by increased private investment from industrialised countries. As a result, the total level of resources flowing from the industrialised world to poorer countries has again reached record levels.

The different trends underscore the complexities of the aid debate in international organisations such as the OECD, the Paris-based think tank for 29 of the world's richest nations.

Private finance is flowing into the developing world but this is restricted to a narrow band of high-income, fast growing countries, principally in Asia and Latin America. The report makes clear that many of the poorest countries are still denied access to flows of private capital from the developed world. They continue to rely heavily on official external aid only.

Mr Bernard Wood, a director at the OECD, said countries should be able to use aid they receive as a catalyst to attract investment in their own right. "It is important to recognise development in other countries is primarily their own business," he said, emphasising this was the key message from the OECD's report.

Measured overall, direct aid by OECD countries to the developing world was $59bn in 1995. Measured in donors' own currencies rather than in dollars, and adjusting for inflation, this was 9 per cent down on 1994. Aid accounted for only 0.27 per cent of the GNP of OECD members – the lowest level recorded since comparable statistics began in 1950.

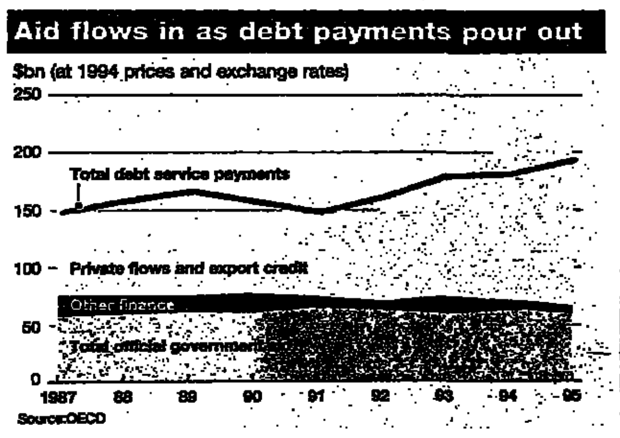
In contrast to official aid, private investment increased to $159bn in 1995, taking total resource flows into the developing world to $239bn. This was 50 per cent more, in real terms, than in 1990. Foreign direct investment by companies in the industrialised world reached a record $54bn.

However, developing country debt grew 8 per cent in 1995 to $1,901bn. Debt servicing payments rose to $194bn. The OECD said there was a "decisive tilt" towards short-term debt, as Asian companies' and banks' appetite for short-term borrowing rose.

The OECD said less aid was going to production sectors and more to social infrastructure projects. About 40 per cent of aid went to Africa, 30 per cent to Asia, and 10 per cent to Latin America. The rest was spent on other programmes.

UK aid cut, Page 11

Aid flows in as debt payments pour out



Source:OECD

Big role for the small loan

Bruce Clark on high hopes for microcredit in war on poverty

For the handful of people in Washington who campaign for aid to the poor – among the least fashionable causes in the city of a thousand lobbyists – an international meeting on microcredit this week has been an occasion of mixed emotions.

On one hand, a colourful assembly of the world's haves and have-nots has heard ringing calls, from leading US politicians and business leaders, for a new drive to alleviate poverty in the developing world and at home.

"We believe that poverty does not belong in a civilised human society. It belongs in museums," declared Professor Muhammad Yunus, the Bangladeshi pioneer of lending small amounts to small businesses and founder of the Grameen bank.

This was a sentiment that won ready acceptance from a 2,000-strong audience that ranged from camera-shy peasant women from Africa and Latin America to executives from corporations such as MasterCard, Monsanto and Citicorp.

Also present were Mrs Hilary Rodham Clinton, who has known and admired Prof Yunus since he visited Arkansas more than a decade ago, and Mr Robert Rubin, the US treasury secretary.

Their clarion calls to help the disadvantaged were an unusual event in the capital of a country where the federal welfare system is about to be all but dismantled and overseas aid is deeply unpopular.

"It's great people are talking about poverty, and microcredit is an important instrument," said Mr Justin Forsyth, who heads the Washington office of the international aid organisation Oxfam. "As long as you remember that things like health and education are also needed."

But in deference to the abhorrence of handouts that prevails across the US political spectrum, much of the language used at the conference was careful to avoid the deadly sin of altruism.

The Clinton administration, in its message of support, argued that microcredit should not and need not be dependent on anything other than the mainstream market economy.

Micro-financial institutions should move away from "donor dependence" and on to "commercial sources of funds" either through the broader financial market or by mobilising savings.

But the conference failed to dent the scepticism of experts who wonder whether microcredit can survive the icy waters of strict market economics. "If it was profitable, everybody would be doing it," said one.

Even in Bangladesh, whose dense population creates a promising environment for microloans, the rosy picture presented by the statistics is not always confirmed by closer examination, according to experts. For example, the fact that women receive most loans, and hence are charged with repaying them, does not always imply a real boost to their economic power.

"Women may be forced to hand over control over the money to their menfolk – and then go short of food they ought to be eating to keep up the repayments," said Mr Geoffrey Wood, a British academic who has worked in Bangladesh.

Conference delegates readily accepted a prepared communiqué which committed them to work for a tenfold increase in the number of recipients of microcredit, to reach about 100m of the world's poorest families, by the year 2005.

The statement gives an impressively precise figure of $21.6bn for the amount of credit that will be needed by microcredit users to reach that goal, and suggests that up to $8bn could come from commercial lenders at market rates.

In the words of Mr Carter Garber, a US development consultant, that is a "very steep challenge" for a sector that has raised no more than $500m in private money over the last decade.

Some of the most successful experiments in microcredit have been subtle compromises between altruism and the market.

In Washington, for example, a "shared return fund" called Devcap invites first-world investors to forgo up to half their returns – from a "socially screened portfolio" chosen on both ethical and financial grounds – in order to finance micro-enterprise programmes in more than 50 countries.

But its director, Mr Gil Crawford, expects the trade-off between altruism and egoism to get easier as micro-lending gets more profitable.

Brady bonds for Ivory Coast

By Edward Luce

Ivory Coast is to become only the second African state to issue Brady bonds, in a deal which will wipe out $4.6bn in arrears accumulated since it suspended debt payments in 1987.

The Brady bonds, which will allow Ivory Coast to exchange up to $1.8bn in distressed commercial debt (debt on which it has defaulted) for new bonds backed up by 30-year US Treasury bonds, are expected to be issued before June 30.

The bonds, named after Mr Nicholas Brady, former US treasury secretary, have been popular with developing countries seeking to rebuild relations with the international financial community.

Ivory Coast will be the 16th Brady country but only the second African country after Nigeria.

Issuing Brady bonds would allow Ivory Coast "to relieve its overall debt burden and restore its credit standing internationally," said Mr Peter West, director of emerging markets research at WestMerchant bank in London. "We expect a couple of other African countries, probably Congo and Cameroon, to follow suit in the near future."

The agreement between the west African state and 182 private banks known as the London Club of commercial creditors follows the signing of a debt restructuring package with the International Monetary Fund and bilateral lenders in 1994. Under the deal Ivory Coast was forgiven for 50 per cent of its debt service obligations on its official (non-commercial) borrowing.

London Club executives say that Ivory Coast, which will also buy back at least 30 per cent of its distressed commercial debt at about a quarter of its original value, has recovered from the economic crisis of the late 1980s which led to a reduction in per capita income of over 25 per cent.

Gross national product growth reached 7 per cent last year and is expected to hit 7 per cent again in 1997. The IMF believes that Ivory Coast, which produces a third of the world's cocoa supply, is in a better position to service its debt payments than when it defaulted in 1987.

Israeli crash delays meeting

By Judy Dempsey in Jerusalem

Israeli and Palestinian leaders have postponed today's meeting following the crash of two Israeli military helicopters in which 73 soldiers, including 13 officers, died. Yesterday and today were declared days of national mourning.

The crash, one of the worst in Israel's military history, took place on Tuesday evening in Shaar Yishuv, in the Galilee Panhandle, on the tip of Israel's northern border with the occupation zone in southern Lebanon.

The soldiers were being flown to the 15km occupation zone where Hizbollah guerrillas had earlier carried out 20 raids on Israeli military units and outposts in or close to the zone, according to defence officials.

The crash, whose cause is unknown, coincides with an increasing debate about Israel's continuing involvement in Lebanon, which it invaded in 1982. It withdrew in 1985 after carving out the security zone in southern Lebanon. Since then, more than 200 Israeli soldiers have been killed there.

Mr Avigdor Kahalani, public security minister, said recently that soldiers sent to the security zone were like "sitting ducks. The situation cannot continue there. A decision must be made... I think the IDF [Israeli Defence Forces] should unilaterally withdraw from Lebanon." He called for the establishment of a multinational force to be placed in southern Lebanon.

But Mr Yitzhak Mordechai, defence minister, rejected calls for a withdrawal.

Officials concede voices for a unilateral withdrawal are growing. "The problem is the vacuum which would be left. Who is prepared to fill it in a way that we could withdraw feeling secure?" a senior official said.

Abacha considers standing for office

By Antony Goldman in Lagos

General Sani Abacha, who seized power in Nigeria after the army annulled elections three years ago, has said he might put himself forward as a candidate for presidential elections scheduled for next year, if his "constituency" so decided.

Gen Abacha told The Washington Times in a rare interview that his programme to restore civilian rule was on schedule, his efforts to revive Nigeria's economy were bearing fruit and that criticism from abroad over his government's human rights record was unwarranted.

It is the first time he has addressed mounting speculation that he might abandon his uniform to contest multiparty elections. "It is not new in Africa," he said, "where military people have stepped into politics."

Opposition groups in Lagos, the commercial capital, yesterday expressed concern. "Even by the mere leaving open of the possibility of his participation, he does the transition programme no good at all," said Mr Clement Nwankwo, of the Constitutional Rights Project. "The process can have no credibility while a referee such as this considers his prospects as a player."

One diplomat said: "It is no secret that Nigeria employs several Washington lobbyists, and this interview looks carefully scripted to prepare international opinion for his long-term ambitions."

Gen Abacha blamed delays in local elections, now scheduled for March 15, on recent bomb attacks against military targets in Lagos. The police have blamed the bombings on the National Democratic Coalition but no formal charges have been brought.

Clinton seizes moment to wave activist flag

The O J Simpson jury just might have done President Bill Clinton a favour. Their judgment was only flashed across the nation's TV screens as he was in the last 20 seconds of his State of the Union speech. The country might have been mostly waiting on the news from California but, for an hour, he had no competition on the airwaves.

Even his political opponents conceded, if sometimes backhandedly, he had seized the inadvertent moment rather well in a confident and focused speech with a major theme, education, and a foreign policy section that was more than the usual afterthought.

What concerned Republicans was not Mr Clinton's delivery – "the president has proven time and time again he can talk the talk," Congressman Tom DeLay, the majority whip, sarcastically commented.

Nor was it his adoption of policies they consider their own, such as balancing the budget, cutting middle class taxes and cracking down on crime.

It was more, as Senator Pete Domenici, the budget committee chairman, put it, "it just seems there was an awful lot of government in this speech... he can't possibly get everything he wants."

Senator Trent Lott, the influential majority leader, said that "words are nice," but added "is this truly the end of big government as we know it or will we find dozens of new Washington programmes in the president's budget?" This goes to Capitol Hill today.

Mr Clinton walked a careful line in his ambitious 10-point "national crusade" for better education. He did call for a 20 per cent increase next year in federal spending on education, but also made clear that the centrepiece – new national standards in English and mathematics – would be implemented and evaluated by the states, not the federal government.

His preferred solution to the eternal private vs state schools debate at least acknowledges Republican demands for greater parental freedom of choice. He proposed a seven-fold increase, to about 3,000, in the number of quasi-independent "charter" schools inside the state system, but made no mention of the "voucher" plan for private education advanced by conservatives.

Nor do Republicans object in principle to the president's strong call for a revived volunteer spirit in the country, on which he plans an April summit artfully featuring two prominent Republicans, ex-president George Bush and retired General Colin Powell. The conservative problem is with the government playing any role at all.

Mr Clinton's answer is that though the era of big government may be over – as he declared in last year's State of the Union message – there is nothing wrong with Washington providing people with the "tools" to change the nature of society for the better.

If that means, as he announced on Tuesday night, persuading 60 universities to send students to teach literacy classes to nine-year-olds or getting five major corporations to agree to hire new staff from the welfare rolls, then Washington is doing its proper job at small cost.

This stood in sharp contrast to the official Republican response, delivered by one its rising stars, the black Congressman J.C. Watts from Oklahoma. His message could have been taken from the defunct Contract with America manifesto of 1994, with its emphasis on a wholesale diversion of authority from Washington to the states.

Mr Watts was also the subject of extraneous controversy. He had told a newspaper interview published on Tuesday that some black leaders – he specifically mentioned Mr Jesse Jackson and Mayor Marion Barry of Washington – were "race-hustling poverty pimps," prompting predictable outrage.

Even if he broke no new ground, Mr Clinton was also conspicuously firm with the isolationist tendency in Congress on foreign policy. He made no apologies to the Democratic left in pursuing "engagement" with China, demanded that the US pay its bills to international institutions such as the World Bank and a "reforming" United Nations and insisted he be granted "fast-track" authority to negotiate new trade deals, especially with South America.

But his most direct challenge was to Senator Jesse Helms over ratification of the chemical weapons treaty. The chairman of the foreign relations committee is holding approval hostage to UN and State Department reforms. Failure to ratify an agreement "bipartisan from the beginning," Mr Clinton said, would be an abdication of global leadership.

Still, it was business as usual again yesterday. Mr Lott had the Senate debating the constitutional amendment to balance the budget, which the president said in his speech was unnecessary. And the capital's parish magazine, the Washington Post, chose to lead with the O J Simpson verdict.

Mr Clinton was not in town. He flew off to Georgia to preach the virtues of education reform, confident that the public, if not all the politicians, like what they hear.

Jurek Martin

US factory orders fell 1.3 per cent in December from the previous month, the commerce department reported yesterday, a further indication that the rapid pace of economic growth recorded at the end of last year is set to slow, Gerard Baker reports from Washington.

Orders declined for the second consecutive month, trimming the rate of growth for 1996 as a whole to 4.9 per cent, following a 6.6 per cent rise in 1995.

Manufacturers' orders are a reasonably reliable guide to the short-term prospects for industrial output, and the decline at the end of last year suggests factory production may already be slowing from its 4.1 per cent annual rate recorded in the last three months of 1996.

But manufacturing activity overall is continuing to grow at the start of 1997, fuelling concerns among policymakers about the re-emergence of inflationary pressures. The Federal Reserve left interest rates unchanged yesterday after a two-day monetary policy meeting. However, the likelihood of a rate rise in the first half has grown as evidence of the strength of the economy has mounted.

Trials of O J may never end

By Christopher Parkes
in Los Angeles

Mr O J Simpson faces personal and financial ruin after being found responsible for the deaths of his former wife, Ms Nicole Brown Simpson, and her friend, Mr Ronald Goldman.

The civil trial jury, unanimous in its condemnation and the award of $8.5m to compensate the Goldman family for the murder of their son, must now decide on the full price of Mr Simpson's responsibility.

The decision that the victims were killed in June 1994 with "malice" and "oppression" confronts the former football star with the prospect of having to pay huge punitive damages to both families. Hearings were due to start today with forensic accountants and marketing experts on hand to help the jurors assess Mr Simpson's resources and the residual value of his famous face and wrecked showbusiness career.

Public debate over establishment claims that the principle that no man may be tried twice for the same crime had not been breached, and that the Simpson case was "not about race," started immediately the verdict was announced.

As in the aftermath of Mr Simpson's acquittal at his criminal trial in 1995, many commentators stood firmly by their claims that the affair – from the slow-speed, freeway "chase" of Mr Simpson's white Ford Bronco, to his stop on the way home from Tuesday's verdicts to buy $1.75 worth of Baskin Robbins ice cream – reflected more the nature of Californian society than the deficiencies of the US legal system.

The white majority civil jury in middle-class Santa Monica had no doubts of Mr Simpson's involvement after 14 hours' deliberation. In the criminal trial, the mainly black panel determined his innocence in a downtown court after 200-odd minutes.

In the first hearing the decision swung on the credibility of Mr Mark Fuhrman, the white "racist cop" of LA's nightmares, caught lying in his insistence that he never used the word "nigger" and nailed by the defence as a potential evidence-planter.

Race has played a secondary role in public debate

In the trial now winding up, much depended on the credibility of Mr Simpson, who could not this time duck the witness box on the grounds that he might incriminate himself.

A poll of Angelenos completed as the jury deliberated found 71 per cent of whites compared with 10 per cent of blacks believed Mr Simpson was a killer. Yet race has played a secondary role in the public debate. The pursuit after truth LA-style, accompanied by a grotesque crowd of hunt-followers falling over one another in the pursuit of publicity and money, has proven far more absorbing.

Prosecuting and defending lawyers, witnesses, journalists, jurors and "friends" belonging to the Simpson circle have written books, signed up for films and demanded large fees for TV appearances. Mr Johnnie Cochrane, the main defender in the criminal trial, denounced by some in the media for playing "the race card", now has a substantial career as a TV personality. On Tuesday night, Mr Christopher Darden, the tearful, black prosecuting attorney at the first trial, emerged from the shadows claiming part of the credit for the civil trial result.

Mr Richard Riordan, LA's colourless mayor, issued a statement appealing for calm in a community which had not shown the slightest indication of unrest. Mr Willie Williams, the LA police chief campaigning for a second term in office in the face of mayoral dissent, called a press conference at 10.30pm, although he had nothing to say and no part in the Santa Monica proceedings other than crowd control.

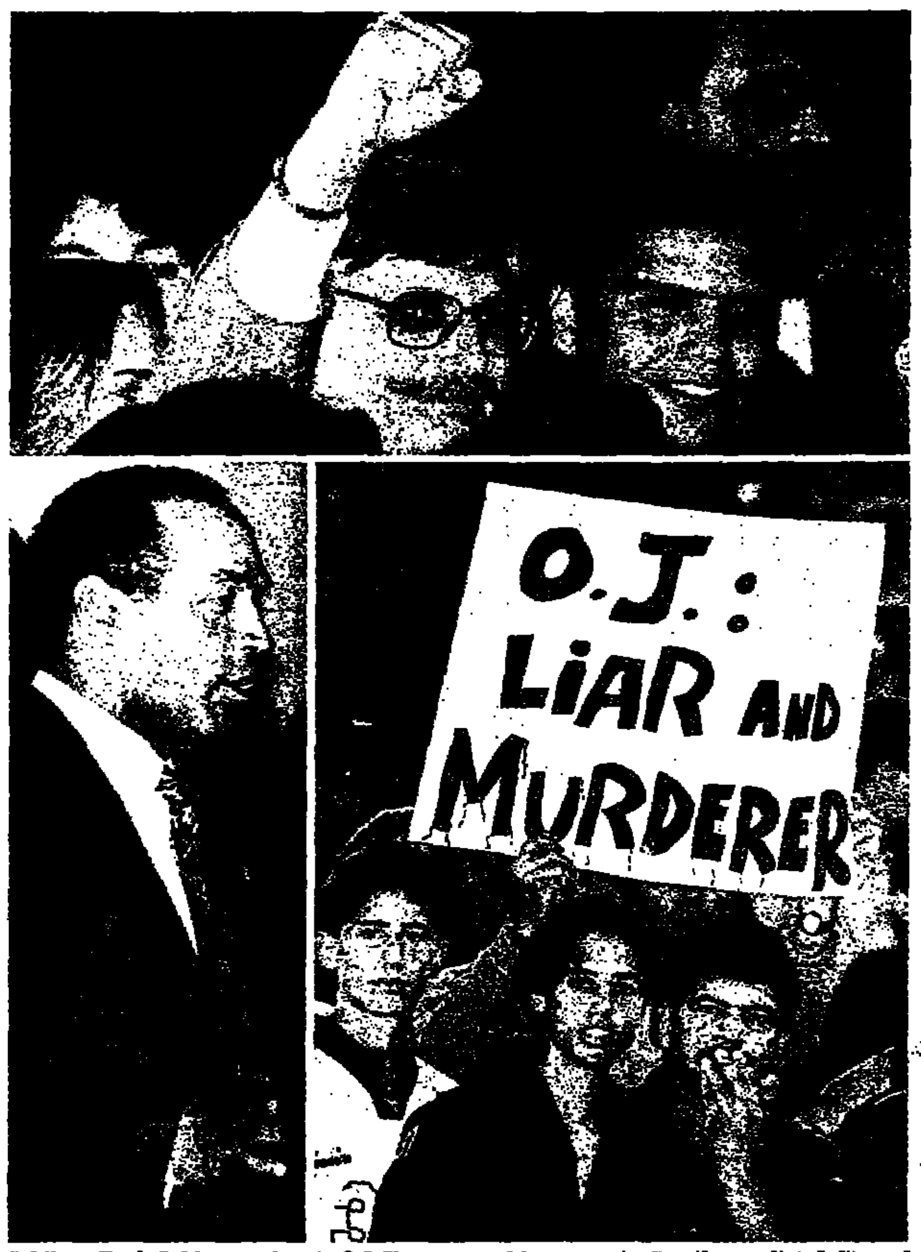
Away in the background, Playboy garnered column-inches of free publicity with the unveiling of a March issue featuring the naked Ms Faye Resnick, 39. Ms Resnick, declaring her belief in "full disclosure" as she bared all, wrote a best-seller about her relationship with Ms Simpson and is a much-heard "expert" on the case.

Even as the civil trial wound down, jurors from the criminal case were discovered touting their public relations and literary agents among the 12 members of the current panel.

Thanks to limits on media access, the absence of television cameras and the disciplinary disposition of Judge Hiroshi Fujisaki, who gagged the victims' garrulous families, the civil court proceedings were relatively serene. But the popular appetite for salaciousness and sickly sentiment, fuelled by foul-mouthed talk show radio and fed by attentive news media, proved beyond containment.

Tuesday's decision marked the approaching end of the legal system's involvement. If Mr Simpson appeals, the *danse macabre* will start again. "I think we should make it a best of three [trials]," said one gleeful bystander in Santa Monica.

Even if Mr Simpson stands down, the majority US public, whose belief in the guilt of the one-time hero was vindicated in Santa Monica on Tuesday night, shows no inclination to allow the trials of O J ever to end.



Jubilant Fred Goldman (above); O J Simpson on his way out after the verdict (left), and shocked spectators outside the courthouse Reuter

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Ecuador at standstill as unions call strike

Ecuador's industry and commerce were paralysed yesterday as unions began a 48-hour general strike to protest at government austerity measures and call for the resignation of President Abdalá Bucaram, Reuter reports from Quito.

Banks, financial markets and industry in the capital closed and the government declared a "state of mobilisation", allowing it to use troops to maintain order.

Unions planned a huge demonstration in Quito, the capital, culminating in a march on Congress to demand Mr Bucaram's resignation.

Government offices also were shut, as Mr Bucaram earlier gave public workers a day off to coincide with the strike. Oil industry unions have said they would join the strike.

Ms Rosalia Arteaga, the vice-president, added to the turmoil surrounding the government, saying she wanted to replace Mr Bucaram if he resigned or was dismissed from his post.

In an address to the nation on Tuesday night, Mr Bucaram called for talks between the government, unions, social organisations, indigenous groups and business to "construct a new state" and stimulate the economy.

Opposition groups and students have staged protests since the beginning of January when the six-month-old government launched an economic austerity package, including price rises for electricity, telephones and public transport.

Mr Bucaram said he respected the protests but added that the government would not permit attacks on private property nor aggressive provocation.

Last month, the US ambassador warned that "deep-seated corruption" was taking root in Ecuador and that it could have an impact on US investments there.

The US yesterday urged the people of Ecuador to refrain from violence and called for a "broad national dialogue" of the country's political leaders.

OBITUARY: Pamela Harriman

Queen of the special relationship

The journey of Mrs Pamela Harriman from birth in Minterne Magna, Dorset, to her death in Paris yesterday, at the age of 76 while serving as the US ambassador to France, is surely one of the most remarkable personal tales of the 20th century.

Her full name – Pamela Digby Churchill Hayward Harriman – encapsulates her life, but hardly does justice to it. She was born a Digby, daughter of British landed gentry; she first married Randolph Churchill, son of Sir Winston, the British prime minister, then Leland Hayward, the Broadway impresario, and finally Averell Harriman, the American statesman.

Barely out of her debutante years, and with a marriage already on the rocks, she became an important go-between in the ever closer Anglo-American relationship before Pearl Harbor brought the US into the second world war war.

Her role was encouraged by her father-in-law and owed not a little to her love affairs with two of the most influential Americans in London – Harriman, then President Franklin Roosevelt's emissary, and Ed Murrow, whose radio broadcasts during the Blitz did much to turn US sentiment round in favour of helping Britain.

In the post-war years, divorced but having produced one son, Winston Churchill, now an MP, she cut a social swathe through Europe with the jet-setting likes of Gianni Agnelli, Aly Khan and Elie de Rothschild. That rendered her unpopular in her native country and none of the relationships provided her with the financial and emotional security she needed. It was in America, where she eventually acquired citizenship, that she found both – and an outlet for a sophisticated political intelligence that owed nothing to her limited formal education.

She was married to Leland Hayward for 10 years. After his death in 1970, she married Averell Harriman, then an elder statesman, who died in 1986. If Mrs Harriman's reputation had been, as Hayward once put it, as "the last great courtesan of the century," the move to Washington with her last husband, a lifelong Democrat, thoroughly exposed her to the capital's only industry – politics. She took to it, as to the manner born. His wealth made her a patron of the Democratic party, but her Georgetown salons were also places where real policy and tactics were thrashed out, to which she fully contributed. Tough political professionals thought highly of her.

At no stage was her influence behind the scenes greater than during the Reagan and Bush White House years, when the Democratic party appeared in disarray. She was an early and effective supporter of Bill Clinton and, following his election in 1992, introduced him to the nation's movers and shakers.

Her reward from the new president was the grand residence on the Faubourg St Honoré, where, in her flightier years, she had sometimes been a guest. Although it certainly helped that she had been a wartime friend of Charles de Gaulle during his London exile, she was never merely a social ambassador and showed full command of the range of policies that, on occasion, have made Franco-American relationships difficult.

Two recent biographies of Mrs Harriman – by Christopher Ogden and Sally Bedell Smith – have left few skeletons in her closet, including her expensive life-style. Her ability to re-make herself in the eyes of the men in her life, alternating between the truly glamorous and the matronly regardless of the passing years, bespoke a unique talent. But above all it was her political intelligence which always flourished when the opportunity presented itself – as early as wartime London until her last post in Paris over half a century later.

Jurek Martin

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Asian / Australian / Japanese Equities

Advance Agro Public Company Limited 5.5% Convertible Bonds Due 2001	US$ 60,000,000
Alsons Cement Corporation Common Stock	US$ 110,679,044
Commonwealth Bank of Australia Ordinary Shares in the form of Installment Receipts and Interim American Depositary Shares	A$ 4,120,636,581
Digital Telecommunications Phil., Inc. Common Shares	PHP 8,814,185,000
Koito Manufacturing Co., Ltd. Common Shares	¥ 20,988,831,000
Korea Electric Power Corporation 5% Senior Convertible Debentures Due 2001	US$ 200,000,000
Korea Mobile Telecommunications Corp. American Depositary Shares	US$ 337,901,794
RFM Capital Ltd. 2.75% Convertible Bonds Due 2000	US$ 65,000,000
Sakura Finance (Bermuda) Trust/The Sakura Bank, Limited Non-cumulative Mandatory Convertible Preference Shares Represented by Preference Share Units	¥ 150,000,000,000
Steel Authority of India Global Depositary Receipts	US$ 125,000,000
TB Finance (Cayman) Limited/ The Tokai Bank, Limited Non-cumulative Mandatory Exchangeable Preference Shares	¥ 100,000,000,000
Winbond Electronics Corporation 2.0% Convertible Bonds Due 2003	US$ 200,000,000

Latin American Equities

Banco BHIF American Depositary Shares	US$ 55,000,000
Compañia de Minas Buenaventura S.A. American Depositary Shares	US$ 95,875,000
Consorcio ARA, S.A. de CV Ordinary Shares and American Depositary Shares	MXP 263,773,984
Nortel Inversora S.A./Telecom Argentina STET-France Telecom S.A. 10% Mandatory Exchangeable Debt Securities Due 2000	US$ 249,999,960
Siderar S.A.I.C. Class A Shares and American Depositary Receipts	US$ 77,738,552
Siderar S.A.I.C. Class A Shares	US$ 64,386,317
Telefónica del Perú American Depositary Shares	US$ 598,805,000

U.S. Equities

AMERCO Common Stock	US$ 87,500,000
Applied Magnetics Corporation 7% Convertible Subordinated Debentures Due 2006	US$ 100,000,000

U.S. Equities (continued)

ARV Assisted Living Inc. 6.75% Convertible Subordinated Notes Due 2006	US$ 50,000,000
Avondale Industries Inc. Common Stock	US$ [illegible]
Aztar Corporation Common Stock	US$ [illegible]
Berkshire Hathaway Inc. Class B Common Stock Shares	US$ [illegible]
Berkshire Hathaway Inc./ Salomon Inc 1% Exchangeable Original Issue Discount Senior Notes Due 2001	US$ 440,000,000
Career Horizons Inc. Common Stock	US$ 138,[illegible]
Ceridian Corporation Common Stock - Block Trade	US$ 65,000,000
Columbia Gas System, Inc. Common Stock	US$ 215,000,000
Crompton & Knowles Corporation Common Stock	US$ 14,250,000
Dayton Superior Corporation Common Stock	US$ 48,100,000
Donnelley Enterprise Solutions, Inc. Common Stock	US$ 71,500,000
Enhance Financial Services Group Inc. Common Stock	US$ 50,700,000
Farm Family Holdings, Inc. Common Stock	US$ 39,520,000
Forest Oil Corporation Common Stock	US$ 132,000,000
Frontier Corporation Common Stock - Block Trade	US$ 122,761,800
Genesis Energy, L.P. Common Units	US$ 154,687,500
Hecla Mining Company Common Stock - Block Trade	US$ 29,718,750
Impath Inc. Common Stock	US$ 25,350,000
Integra LifeSciences Corporation Common Stock	US$ 36,918,750
Kapson Senior Quarters Corporation Common Stock	US$ 35,500,000
McLeod, Inc. Common Stock	US$ 240,000,000
MFS Communications Company, Inc. Common Stock	US$ 1,323,506,250
Midwest Express Holdings, Inc. Common Stock	US$ 38,956,950

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WORLD TRADE NEWS DIGEST

CD software market to grow

The European market for compact disc software is predicted to expand sharply during the late 1990s, with average annual growth of 21 per cent over the next five years. A study from Datamonitor, the market research consultancy, predicts CD software sales in Europe will increase from a total of $2.5bn in 1996 to $6.5bn by 2001.

At present the market is dominated by CD games software, which made up two thirds of sales last year. Games software will continue to command a significant market share, although the market is moving away from software for specialist games consoles to CD games playable on personal computers.

One of the fastest growing product sectors is likely to be PC information software, which mustered sales of just $17m last year, but should be worth $219m in 2001. Over the same period, sales of educational and entertainment PC software are expected to rise from $26m to $338m. Meanwhile the market for CD business software should expand from $727m to $2.4bn. *Alice Rawsthorn, London*

Dumping duties on China

The European Commission has imposed anti-dumping duties of 39.2 per cent on handbags from China, despite warnings from European retailers and importers that such a move would cost more jobs than it would create. But it has not imposed dumping duties on Chinese travel luggage and sports bags, and is expected to continue an investigation into imports of briefcases and school bags.

The three investigations had been conducted in parallel following a complaint by the European Committee for Leather Goods Industries last March. The Brussels-based Foreign Trade Association, which represents importers and lobbied hard against duties in all three cases, has said it will press for the handbag duties to be overturned.

The FTA and a group of retailers and luggage makers warned the Commission in December that duties would drive up costs. The EU's Official Journal yesterday said the Commission had found Chinese handbag manufacturers had "significantly undercut [EU] producers' prices, eroding profitability and causing a gradual reduction in employment as well as a number of company closures". *Neil Buckley, Brussels*

Gazprom pipe insurance

Lloyd's of London is to insure the sprawling and dilapidated network of pipelines belonging to Gazprom, Russia's richest company and the biggest producer of natural gas in the world.

The thousands of kilometres of pipelines carrying Russia's gas reserves to markets in western Europe frequently leak. While Gazprom cannot afford to repair its ailing pipeline infrastructure properly, it is concerned about the financial impact of frequent leakages and the insurance contract is designed to protect it against commercial loss.

Mr Ronald Sandler, chief executive of Lloyd's, said Gazprom had unusual insurance needs. He said the contract, under which London-based underwriters will provide reinsurance for a premium thought to be in excess of $10m, showed how Lloyd's was seeking new markets. *Christopher Adams, Insurance Correspondent*

US business to fight sanctions threat

By Nancy Dunne in Washington

Mr Clayton Yeutter, a former US trade representative, and Mr Michael Barnes, a former congressman, will help lead a campaign by US companies to counter the increasing threat of US economic sanctions by Congress, state and local government.

Thirty big companies have signed up to the campaign, organised by the National Foreign Trade Council, which will also seek participation by labour unions and non-governmental organisations.

"We are under no illusion about the difficulty of this task," said Mr Daniel O'Flaherty, a council vice-president. Countries subject to US sanctions now account for 40-50 per cent of the world's population and 20 per cent of the world's trade, according to the National Association of Manufacturers.

This, said Mr Howard Lewis, NAM vice-president for trade and technology policy, is a conservative estimate, and excludes countries liable to sanctions which have not yet been imposed, as well as trade and environmental sanctions.

Although US companies may not be banned from operating in the countries subject to sanctions, they have been increasingly affected by the climate so created, said Mr Lewis, whose group is to release a study on US sanctions later this month.

The last Congress employed sanctions widely in an effort to promote democracy and human rights, passing bills aimed at Cuba, Libya, Iran and Burma and debating limits on investment or trade for China, Cambodia, Haiti, Indonesia, Nigeria, Pakistan and Turkey. The targets have mainly been foreign companies.

This proliferation of measures – and the enmity they have generated abroad – have made business increasingly nervous. "US companies are worried they will be seen as unreliable suppliers," said Mr O'Flaherty. "We've had reports of US companies losing contracts because European companies are writing them out of specifications."

Mr Bill Lane, Washington director of Caterpillar, said his company lost an engine sale in Canada "because a small portion of the end product was destined for the Middle East, and the customer thought it would be easier to buy from a Germany company."

With the administration considering imposing investment sanctions on Burma, representatives of Unocal, a partner with France's Total and others in a $1bn offshore natural gas project in Yadana, Burma, are in Washington this week demonstrating their efforts to help Burmese villagers. The project partners have rebuilt clinics and schools, hired doctors, established a pig farm, a livestock breeding project and a shrimp farm.

"Pepsi has pulled out of Burma," said Mr Jack Rafuse of Unocal. "You can make and sell Pepsi in a lot of places but you can't find world class gas fields right next to gigantic burgeoning markets in a lot of places."

In addition to opposing sanctions, the NFTC coalition will propose alternative policies – incentives including foreign aid, visa denial and exclusion from sporting events. "We want to ensure that the US has carrots as well as sticks by which to persuade foreign governments," said Mr Lane. "We will redouble our efforts to lobby aggressively for the foreign operations budget."

American Burma boycotts start to bite

Ted Bardacke on a growing dilemma facing world companies

Telecommunications rivals Motorola of the US and Ericsson of Sweden recently faced a dilemma. The companies' global ambitions had led them to establish operations in Burma, but at the same time they were bidding against each other to provide a $40m (£25m) emergency radio system to the city of San Francisco, which last year passed a law prohibiting city contracts from going to companies that do business in the military-ruled south-east Asian nation.

Ericsson, having signed deals with the Burmese junta worth an estimated $3m, stuck with the generals. Motorola, whose lone Burmese sales manager had yet to drum up much business, joined the growing corporate exodus from Burma and is now almost certain to win the San Francisco contract, according to city officials.

Motorola cited cost cuts for its decision, but Burma boycott activists claimed victory nonetheless.

"I guess Motorola wanted our $40m more than the generals' change," says an aide to Mr Tom Ammiano, San Francisco supervisor, who sponsored the legislation. "We've shown local action can cost global companies not only dismay but money as well," adds Mr Ammiano.

Often characterised as mere moral gestures, state and local "selective purchasing" legislation, affecting billions of dollars in government contracts in the US, is beginning to exact a toll on companies around the world. Several cities and one state, Massachusetts, have enacted bans or penalties on companies that do business in Burma.

Similar ordinances are being considered in the country's most populous state, California, and its two largest cities, New York and Los Angeles. Activists, prodded on by the Burmese democracy leader, Ms Aung San Suu Kyi, who supports such legislation, are saying that in 1997 the crusade will spread to cities in the UK, Canada and Australia.

Whereas the threat of consumer boycotts has been cited as the main reason retail products companies such as Kodak, Walt Disney and PepsiCo have pulled out of Burma recently, selective purchasing legislation puts more pressure on infrastructure and information technology companies.

Apple Computer, keen to keep its hold on the state's lucrative market for educational computers, said in October it was pulling out of Burma to comply with the Massachusetts law.

Non-US companies are starting to take notice.

"I don't know what's driving our business in the US but if this movement really spreads, I'm afraid the directors in Tokyo might decide to sacrifice my job for its US business interests," says a Rangoon-based Japanese executive with a company that has extensive dealings – but is losing money – in Burma.

The European Commission has formally protested to the US State Department about the Massachusetts law. It says the law violates US federal government commitments on government procurement contained in the General Agreement on Tariffs and Trade. It has threatened to bring the issue to Gatt's successor, the World Trade Organisation, for settlement.

The Japanese government has also asked the US trade representative for a "legal opinion" on the matter. Thai officials say several members of the Association of South East Asian Nations, by far the largest foreign investors in Burma, have raised the issue informally with the US and it may be discussed at a meeting of Asian and European foreign ministers in Singapore next week.

"This is going to get very political, and we have the legal arguments to counter the European claims," says Mr Simon Billenness, an analyst with Franklin Research in Boston, which manages more than $500m in "socially responsible" investments and advocates selective purchasing legislation. "It's no longer just an issue of human rights in Burma but states' rights in the US, which hits on a raw nerve at the WTO."

The EU and Japan have complained to the US State Department and trade representative's office about Massachusetts' foreign policy, prohibiting the state from having dealings with companies doing business in Burma, Reuter reports from Boston.

The EU claims the 1996 Massachusetts state law is "a breach of US international obligations and as such could have a damaging effect on bilateral EU-US relations", according to a letter Mr Hugo Paemen, EU ambassador to the US, has sent to Massachusetts Governor William Weld.

Several US cities have also passed selective purchasing laws against companies doing business in Burma, but Massachusetts is the only state and the largest market to boycott such companies. It issued a list of companies with which it will no longer do business, including some 30 Japanese ones such as Sony.

The EU and Japanese protests were prompted by the Massachusetts law as well as fears that the state might extend the provisions to companies doing business in Indonesia, as was recently proposed in the state legislature to protest human rights violations in East Timor.

But the next showdown will again take place in San Francisco, where a $123m contract originally awarded to Japan's Mitsubishi Heavy Industries for a transportation system at the city's airport is mired in a legal dispute.

On December 23 the city's airport commission approved the deal, claiming the selective purchasing law did not apply as it was an autonomous organisation and is exempt from the policy. At the commission meeting approving the contract, Mitsubishi Heavy claimed it had no business dealings in Burma.

Technically that is correct. But the Mitsubishi Group, to which Mitsubishi Heavy belongs, is heavily involved in trading activities in Burma and in 1995 signed an investment and co-operation agreement with the military junta, leading to a meeting between Mr Minoru Makihara, the company president, and General Than Shwe, the junta chairman, in Rangoon last year.

The airport contract is now being challenged in court on several grounds, highlighting the fact that many of the selective purchasing laws have a variety of loopholes – financial, technical and humanitarian – that will inevitably be exploited by lawyers on both sides of the issue whenever a contract is challenged.

Indeed, if Mitsubishi Heavy eventually loses out it may challenge the next bidder in line, AD Tranz, another US company, because that consortium may use equipment from Asea Brown Boveri, which has a sales office in Burma.

Economic sanctions: US success and failure

World War I - present	
Number of sanctions used by the US	77
Number of sanctions that sought modest change	41
Number considered successful	12
Since 1973	
Number of sanctions that sought modest change in policy	34
Number considered successful	6
Number of sanctions that dealt with human rights	15
Number considered successful	3
Number considered failures	12

These data were compiled from a study conducted by the Institute for International Economics and published in a book entitled Economic Sanctions Reconsidered, written by Hufbauer, Gary Clyde Schott, Jeffrey J. Elliott, Kimberly Ann.

Bottling Pepsi in Burma: the company has now pulled out Victor Mallet

Caribbean garment makers' Nafta fear

By Canute James in Kingston

Garment makers in the Caribbean Basin, looking with growing discomfort at the rapid growth in Mexico's clothing exports to the US, are pressing for "Nafta parity". They fear North America Free Trade Area restrictions could cost them much of their $6bn-a-year market.

The Caribbean industry achieved 9 per cent growth in its exports to the US between January and October last year. Hopes for continued growth, however, have been moderated by the performance of the Mexican industry, whose apparel exports to the US between January and October grew 36 per cent.

Caribbean exporters are concerned that a larger, more efficient Mexican clothing industry, helped by membership of Nafta, will eat into Caribbean markets.

"We are not unduly worried just about Mexico's growth, but concerned Caribbean Basin producers could go under because of it," said Mr Peter King, chairman of the Caribbean Textile and Apparel Institute. "Some of Mexico's growth has been the result of the diversion of investment from the Caribbean Basin."

This concern, however, is rejected by the Mexican industry. The growth of Mexican exports to the US, it says, has been not at the expense of Caribbean exporters, but of the more traditional suppliers in the Far East. US clothing imports from Hong Kong and the US have declined in recent months due to a dispute over rules of origin, and Mexico has stepped in to meet demand.

The American Textile Manufacturers Institute says the Caribbean Basin accounts for 16 per cent of all US clothing imports, the Asean group 13.6 per cent, Hong Kong 10.8 per cent, China 10 per cent and Mexico 9.4 per cent.

Caribbean Basin exporters plan to renew a request to Canada, Mexico and the US for "Nafta parity" for their exports to the US and Canada. The 24 countries in the Caribbean Basin want to be allowed to export clothing and other products without qualitative and quantitative restrictions.

If they are not allowed this, argue the region's governments, their apparel industries, and others exporting to the US, could be undermined. Several Jamaican garment factories have relocated in Mexico, according to the Textile and Apparel Institute. The Jamaican government recently offered the industry $6m to improve its competitiveness.

Caribbean officials say the US government has promised it will put Nafta parity on the legislative agenda. But several admit privately they expect Mexican apparel producers, and US producers which fear a flood of competitive Caribbean exports, to oppose the request.

The industry brings jobs to areas with traditionally high unemployment.

WTO urged to act on regional pacts

By Guy de Jonquières

The World Trade Organisation needs to start developing effective disciplines soon to stop regional trade arrangements (RTAs) weakening its authority and obstructing global economic integration, a committee of international trade experts has warned.

While they find no conclusive proof that RTAs always harm non-members by discriminating against their exports of goods and services, they find enough evidence that they can cause economic damage to warrant stricter WTO policing.

An economic analysis prepared for the experts' report* says the enlargement of the European Union in 1994, to include Austria, Finland and Sweden, appeared strongly to suggest RTAs could distort trade at the expense of third parties.

In the two years after enlargement, the relative importance of intra-EU trade to its members grew 10 per cent, but the importance of EU members in the rest of the world's trade fell 44 per cent.

Much the same shift occurred in trade among the six members of the Gulf Co-operation Council after their free trade pact took effect in 1983. Trade among members of the North American Free Trade Agreement exhibited a similar, but less marked, trend.

Mercosur, the four-nation Latin American grouping, the Central Europe Free Trade Area and the Israel-US Agreement had all seen trade among members increase faster than trade with non-members.

The only examples of external trade growth outpacing intra-regional trade were after the formation of the European Economic Community in 1958, its admission of Greece in 1981 and the expansion of the Association of South East Asian Nations in 1991.

Regional agreements notified to Gatt

The report concedes that RTAs can, in theory at least, promote multilateral liberalisation by spurring unilateral market-based reforms and encouraging healthy competition among countries to lower their trade and inward investment barriers.

However, it says, such beneficial results cannot be taken for granted. It warns that unless the WTO acts soon to draft new rules for RTAs, its ability to protect and advance the interests of all participants in world trade will face a serious challenge.

The report makes five main recommendations for more effective policing of RTAs:

- The WTO should set stiffer criteria for RTAs, covering Most Favoured Nation tariff treatment, rules of origin and transparency and enforcement.
- RTA members should be required to move towards common trade rules.
- RTAs should be obliged to remain open to new members.
- The WTO should develop rules to prevent RTAs distorting foreign direct investment flows.
- The WTO should actively promote compatibility between RTAs and its own rules by monitoring their compliance and encouraging their members to use WTO procedures to settle disputes.

The nine-member committee which wrote the report was chaired by Professor Jaime Serra, a former Mexican finance minister. Other members include Mrs Carla Hills, a former US trade representative, Mr Julius Katz, her former deputy, and Professor John Jackson of Michigan University, a leading trade lawyer.

* *Reflections on Regionalism; Carnegie Endowment for International Peace. Available from: The Brookings Institution Press, Department 029, Washington DC 20042-0029. Tel: 202-797 6258. Fax: 202-797 6004.*

Cancellation of 'super jumbo' casts shadow over plan for extra terminal at London hub

Heathrow expansion dispute rekindled

By Michael Skapinker, Aerospace Correspondent

BAA, the owner of London's Heathrow airport, and British Airways were asked yesterday to explain how they would keep the number of flights to an acceptable level now that Boeing had shelved plans to build a 550-seat "super jumbo". The request came from the chairman of an inquiry into plans to build a fifth terminal at the airport, Britain's biggest.

BAA and the airline have said that, while the fifth terminal would increase the number of passengers using the airport from 56m last year to 80m, there would be only a small rise in the annual number of flights. This was because larger aircraft would be used, including a new generation of super jumbos.

Boeing last month said, however, that it was dropping plans to produce an extended version of its 400-seat 747. The company said that, while it would continue to study a larger aircraft, there was insufficient demand to justify building a 550-seater. Airbus Industrie, the European consortium, has said it will go ahead with its planned 550-seat A3XX.

Mr Roy Vandermeer, the inquiry chairman, gave BAA and BA until February 25 to say whether the Boeing announcement meant future traffic forecasts for a five-terminal airport needed to be changed. He asked whether Heathrow would be able to continue its practice of using one runway for take-offs and one for landings. Opponents of the planned terminal fear Heathrow plans to use the two runways for both landings and take-offs, greatly increasing noise levels.

The terminal's critics were quick to describe Mr Vandermeer's questions as a blow to BAA's case. Mr Dermot Cox, chairman of the Heathrow Association for the Control of Aircraft Noise (Hacan), accused BAA of misrepresenting "the true increase in noise pollution which such a massive expansion of Heathrow would cause. Boeing's decision to cancel the super jumbo only highlights the lack of any foundation for BAA's claims."

BAA said that Boeing's cancellation of the super jumbo did not affect its forecast of the number of flights that would follow the building of Terminal Five. Mr Michael Maine, BAA's technical director, said airlines were already using larger aircraft at Heathrow.

The average number of passengers per aircraft had grown from 126 in 1994 to 133 in 1996. This trend would keep the number of flights down. Mr Maine said BAA had no plans to change the way it used its runways. BA said it was still looking at the Airbus plans for a 550-seater.

Mr Vandermeer said yesterday the inquiry would probably continue until mid 1998. When it began in May 1995, officials forecast it would finish by the end of 1996.

Heathrow is the world's busiest international hub. It handles some 54m passengers a year and more flights to more overseas destinations than any other airport, some 1,100 daily to 213 cities and resorts in more than 80 countries. The fifth terminal is intended to enable Heathrow to cope with an expected doubling of worldwide air traffic by the end of the next decade.

Minister sets 'tough' target for tourism rise

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The government yesterday set growth targets for the UK's tourism industry in an effort to increase its earnings.

Mrs Virginia Bottomley, chief heritage minister, said no extra state funding would be available, and that the targets were tough, but nonetheless achievable.

She said the £37bn ($60bn) sector accounted for more than 5 per cent of gross domestic product. It would be able to provide more jobs than manufacturing on current trends by 2012.

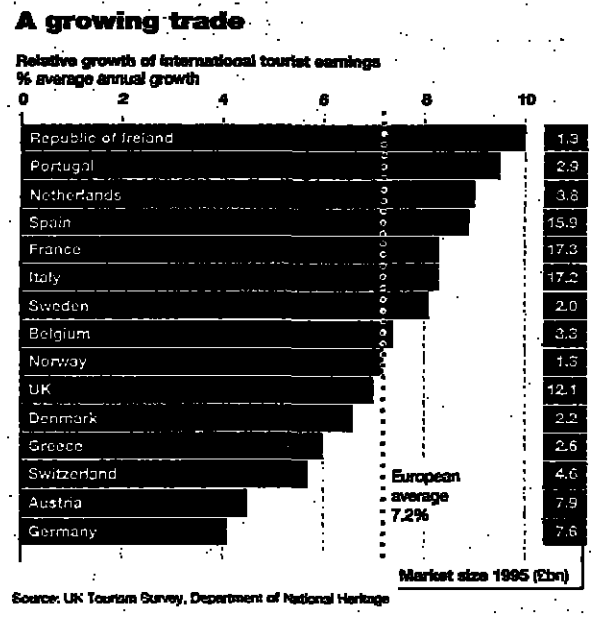
The action plan calls for growth in earnings from overseas tourists to exceed the annual average for the European Union.

Britain last year beat the European annual average of 7.2 per cent recorded between 1980 and 1995, but it underperformed in earlier years.

The target for growth in earnings from domestic tourism is to beat the annual average growth in all consumer spending. The latter was 0.9 per cent a year between 1990 and 1995 but domestic tourism earnings grew at an annual average of only 0.6 per cent.

Mr Tom Pendry, the opposition Labour party's spokesman on tourism, said the plan lacked proposals for legislation improving partnerships between local authorities, tourist boards and the private sector. He said Britain's share of the world tourism market had fallen from 6.7 per cent to 5 per cent under the present government.

A growing trade



Source: UK Tourism Survey, Department of National Heritage

Scientists warn over North Sea cod stocks

By Alison Maitland in London

North Sea cod stocks, one of the most valuable fish resources for north European countries, are close to collapse, fisheries scientists warn today.

As much as 60 per cent of the fishable cod stock is removed from the North Sea each year and drastic action is needed to reduce that rate, say the scientists from Scotland, Canada and Iceland.

"There is a need for swift and effective action to protect the stock and avoid the problems of the much publicised collapse of cod stocks off the coast of Atlantic Canada," they warn in Nature magazine.

The warning led to disagreement yesterday between two UK government departments.

The Ministry of Agriculture, Fisheries and Food in London said European Union member states had already responded by cutting cod quotas for the North Sea by 11.5 per cent in December. "This is consistent with the advice from scientists," said an official.

But Mr Robin Cook, author of the report and a scientist with the Scottish Office marine laboratory in Aberdeen, said quotas were regularly circumvented by fishermen: "The control mechanism is not succeeding. It's not adequately enforceable."

Mr Cook said the proportion of the annual total cod stock removed from the North Sea should be reduced to a maximum of 45 per cent. The time fishing vessels spent at sea could be limited or fleets cut in line with proposals from the European Commission.

● A Paris lawyer has lodged a complaint with the European Commission against both the UK and Guernsey over the way that one of her *clients, a Granville-based* fisherman, was treated in a British court, writes Philip Jeune. *Mr Jean-Pierre* Leverier, was fined £10,000 ($16,200) in Guernsey's magistrate's court last year for illegally fishing in Channel Island waters. He claimed in court that the regulations were confusing and that he had been fishing the area for 35 years. His lawyer, Mrs Monique Fauchon, claims that she was wrongfully refused permission to address the court and that *Mr Leverier was illegally* held for more than 24 hours after his arrest.

Accountants in US hit back at critics

By Jim Kelly, Accountancy Correspondent

The US Financial Accounting Standards Board has hit back at leading UK critics of its principles in an unprecedented attack, claiming that any alternative would undermine the integrity of company balance sheets.

Mr Jim Leisenring, deputy chairman of the Financial Accounting Standards Board, says that "assets and liabilities are the anchors of accounting" and are under threat from UK critics.

His attack is directed specifically at Mr Ron Paterson – technical partner with Ernst & Young – which last year launched an attack on the direction of accounting in the UK.

E&Y said that the UK's draft statement of principles – which is similar to frameworks drawn up by the US and the International Accounting Standards Committee – was full of the "rhetoric of theorists" and not the "language of business".

More recently Mr Paterson attacked the direction of accounting under the International Accounting Standards Committee and its efforts to establish definitions of assets and liabilities. As a result he said companies would be forced to "count their chickens before they were hatched".

Mr Leisenring says that all the world's leading standard setters are agreed that balance sheet items need to be accurately measured before income can be reported. This "approach dramatically reduces the opportunity to manage the number reported as net earnings", he writes.

He alleges that Mr Paterson has not put forward a workable framework to underpin his view, which E&Y says is shared by ordinary business people, that financial reporting should be about allocating profit to specific accounting periods.

"He says that my approach is not operational – well it's what accountants have actually been doing for decades," retorts Mr Paterson. "This is like scientists trying to tell the bumble-bee that it is aerodynamically unable to fly.

"I don't accept his view that a balance sheet approach is necessary to impose greater rigour and that my approach is an 'anything-goes' system.

"The real trouble with his approach is that it doesn't actually work. As a result standard setters often apply my approach in reality, but use the language of their own."

MPs urge vote on pensions for expatriates

By Nicholas Timmins, Public Policy Editor

MPs should be allowed a free vote in the House of Commons on whether the UK should spend an extra £255m ($410m) a year to unfreeze the pensions of 433,000 British pensioners living outside the UK, a committee of MPs said yesterday.

UK citizens have their pensions indexed if they retire to a European Union state or the US and some other countries with which the UK has bilateral social security agreements. Elsewhere in the world – including Australia, Canada, New Zealand and South Africa – pensions are frozen at the date of emigration.

Failure to increase pensions for what campaigners have dubbed the "hero generation" who fought in the second world war has caused marked tensions with Australia and Canada. Australia has accused the UK of "reneging on its welfare responsibilities at the direct expense of the Australian taxpayer".

The present rules can leave someone who emigrated on retirement 20 years ago on a pension of £10 a week.

However, finding an extra £255m on top of the present sum of almost £1bn paid to expatriate pensioners would be "a formidable challenge for any government", the committee warns. The government has refused to act on financial grounds and the opposition Labour party has said it would not be a top priority if it wins the coming general election.

The Canadian High Commission in London said the report was "not optimal, in the sense that it has not recommended uprating". But it was "a step forward" for an issue which Canada would continue to press.

Foreign secretary takes harder line over euro

By John Kampfner, Chief Political Correspondent

The UK government yesterday hardened its terms for participation in European monetary union, arguing that Britain might choose not to join even if the system proved economically viable.

Mr Malcolm Rifkind, the foreign secretary, described as "absurd" the opposition Labour party's assertion that it would base a decision purely on a "hard-headed" look at the economic circumstances at the time.

Mr Rifkind was responding to a keynote speech by his Labour opposite number, Mr Robin Cook, who said Labour recognised the "potential attractions" of a single currency in giving greater stability to export prices and removing transaction costs.

Those benefits could only be realised, however, if there was a "genuine convergence of real economic performance", Mr Cook said. "If the single currency does proceed, any responsible British government must keep under review whether Britain continues to stay outside it."

But he added: "This emphatically does not mean that Labour is committed to signing up to the single currency in 2001, 2002 or 2003. We are keeping our options for those years every bit as open as our options for 1999."

Mr Rifkind called Labour's approach to Europe "naive, inconsistent and incompetent; Labour's public concession of so many important negotiating objectives of other European countries is undermining Britain's negotiating position in the IGC".

A Conservative government, Mr Rifkind said, would not take Britain into monetary union unless it was convinced the benefits outweighed the drawbacks.

Labour "have now taken a decision in principle that they would wish to join a single currency if certain technical criteria were met". The Conservatives, by contrast, would "look at the wider issues".

Mr Rifkind denied that his tour of EU capitals to criticise the approaches of member governments – and Mr John Major's robust speech on Tuesday – marked a more confrontational attitude.

But in Brussels, Mr Jacques Santer, European Commission president, said Mr Major's disparaging depiction of the social chapter was "a caricature". Delivering a detailed rebuttal of Mr Major's attack, Mr Santer said employment protection and competitiveness were not only compatible but complementary.

"The social chapter is a platform for good industrial relations which, as experience in many member states shows, can be harmonious, mature and non-conflictual," Mr Santer said. "There is no mass of legislation emanating from Brussels, choking businesses to death."

Pay freeze threatened for judges and admirals

The Scotsman who hopes to be the next chancellor of the exchequer talks to **Robert Peston**

Gordon Brown

- 1951 born second of three sons of a Church of Scotland minister
- 1960s educated at Kirkaldy High School in Scotland; lost sight in one eye in accident during rugby match
- 1972 voted student rector of Edinburgh University; gained first-class degree in history
- 1976 lecturer in politics
- 1979 fails to win Edinburgh seat in House of Commons
- 1980 joins Scottish TV as journalist
- 1983 elected Labour MP for Dunfermline East in central Scotland
- 1987 appointed a junior Labour finance spokesman
- 1989 chief industry spokesman
- 1992 shadow chancellor of the exchequer
- 1994 party leader John Smith dies; Brown stands aside from contest and thus helps his friend Tony Blair to win leadership

Three words constantly crop up in any conversation with Mr Gordon Brown about his ambitions for a Labour government: priorities, toughness and fairness.

Classic statements from the party's shadow chancellor of the exchequer include "we have got to distinguish between high priority and low priority areas [of spending]" and "it is a case of toughness allied to fairness".

Both were said in an interview with the Financial Times in defence of Labour's decision to oppose pay increases for top armed forces personnel, judges and senior civil servants – and to rule out a salary rise next year *for ministers* and MPs.

The senior salaries review body has recommended pay rises well above inflation. Some judges, civil servants and senior officers would receive more than twice the 2.5 per cent headline rate.

Mr Brown said a Labour government would not implement such rises. Under Labour, a High Court judge – currently earning £104,439 ($169,190) a year – would miss out on a rise of around £5,000, and a rear-admiral earning £66,290 would be forced to forgo a £3,000 increment.

The importance of the move for Mr Brown lies in the signal it sends, rather than in the total sums saved. Just 5,000 people would be affected and between £10m and £20m of potential spending would be recouped. Mr Brown wants to show that Labour is serious about curbing the growth of public spending – and that if nurses and teachers have to make sacrifices, bigger ones will be demanded of the highest paid public servants.

"We have got to be prepared to make tough decisions," he said. He insisted he would "prefer not to do this" and was "not doing it lightly". But at a time when borrowing is too high – and falling only slowly – it was right "to ask" top public servants to "show leadership".

For the governing Conservatives the decision will send a completely different signal. They will say it shows Labour is still gripped by the politics of envy and that it undermines government efforts to reinvigorate the top rungs of the public sector by making salaries more competitive.

Labour leftwingers may also be cool about the move. They would prefer Mr Brown to levy a new top rate of tax on all high earners, a move ruled out last month.

The government will gauge its response to Labour's initiative carefully. Attacking Labour could be risky, given the desire by ministers to phase in proposed rises averaging between 3.2 per cent and 3.4 per cent for 1.3m doctors, nurses, teachers and lower ranks in the armed forces.

Mr Kenneth Clarke, the chancellor of the exchequer, will propose to the cabinet today that public servants should receive 2 per cent at the start of the financial year on April 1, with the balance on December 1. His hope is that this will make life difficult for Mr Brown because Labour will face pressure from public sector unions for immediate implementation of the full rise. Public sector pay is now at the heart of the pre-election campaign.

UK NEWS DIGEST

Overseas aid below average

UK government aid to developing countries fell 6 per cent to £3.2bn ($5.2bn) in 1995, the Organisation for Economic Co-operation and Development said yesterday. Britain now contributes 0.28 per cent of gross national product in aid to the developing world, below the industrial country average of 0.41 per cent.

This puts the UK 15th in the list of 21 rich developed countries analysed by the OECD, the Paris-based organisation which acts as a think-tank for 29 of the world's richest nations. It now lags behind countries such as France, Germany and Denmark. *Graham Bowley*

■ CHANNEL TUNNEL

Operator opts out of price war

Eurotunnel, operator of the Channel tunnel between England and France, yesterday signalled its withdrawal from the fierce price-cutting war which has depressed its own earnings and those of the cross-Channel ferry companies. The battle meant that day trippers from England could sometimes make the crossing for £1.

The company's passenger shuttle division announced increases of between £40 and £70 ($113) in its spring and summer tariffs. "We are confident these are the right prices," said Mr Bill Dix, managing director of passenger shuttle services. "We had a false market when the ferries threw extra capacity on to the Dover-Calais route, but we believe there will be a rationalisation." But there was no sign yesterday that the ferry companies would copy Eurotunnel's move. P&O, the biggest ferry operator on cross-Channel routes, plans fare reductions of up to 25 per cent. *Charles Batchelor*

■ INFORMATION TECHNOLOGY

Water company sues Oracle

North West Water, a former state utility, has begun legal action against Oracle, the leading database software company, over what it claims is the failure of the company to deliver a new operations management computer system. The suit, disclosed in today's edition of Computer Weekly, the trade magazine, is the latest in a string of high profile disputes between customers and IT suppliers in the UK.

This dispute involves a contract signed by North West Water and Oracle in April 1994. Under the contract Oracle was to design and develop a system known as OPMS 4.0. Work on the project, valued at £2.4m ($3.8m), stopped in August 1995 with both sides blaming each other for the dispute. Yesterday North West confirmed that it had begun legal action because "efforts to resolve the dispute have failed". Mr Alan Laing, in charge of Oracle's European legal affairs, said: "Oracle is vigorously defending this action." *Paul Taylor*

■ LLOYD'S

Agency chief banned as director

Mr David Coulthard, managing director of a leading Lloyd's of London members' agency, Cox Tudsbery & Wills, has been disqualified as a company director for four years by a High Court judge in London. The action followed an investigation begun in 1994 by the UK government's Department of Trade and Industry into the activities of Mr Coulthard while he was a director of Dawes and Henderson, a members' agency which went into liquidation four years ago.

In 1989, Cox Tudsbery & Wills was acquired by a subsidiary of Cox Members' Agencies, which is not related to Cox Insurance Holdings, a quoted insurance company. Mr Hugh Shuttleworth, now a non-executive director with Cox Tudsbery & Wills, has been disqualified as a company director for five years and Mr Alan Dawes disqualified for three years. *Christopher Adams*

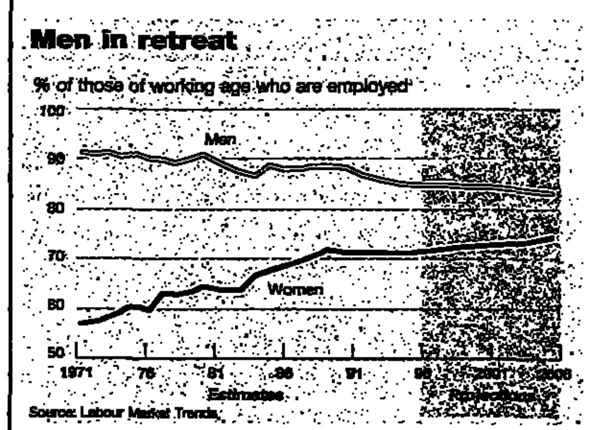
■ COPPER TRADING

Contempt case judgment reserved

The High Court in London yesterday reserved judgment over whether senior Serious Fraud Office staff, including its director Mr George Staple, committed contempt of court over their handling of the continuing investigation into the Sumitomo copper scandal. Lawyers for Mr Jeffrey Green, an accountant from Radlett, north of London, claim that the SFO breached court orders imposed after it had seized computers from his offices. The SFO denies the claims, insisting they are an attempt to embarrass the office. Judgment is expected today. *John Mason*

■ ECONOMIC ACTIVITY

Men in retreat



Source: Labour Market Trends

More women to join workforce

The feminisation of the UK labour force looks set to continue until at least 2006, with women aged between 25 and 34 expected to record an 8 per cent growth in economic activity and those aged 60 to 64 a rise of between 5 per cent and 6 per cent. By 2006, 45.3 per cent of the workforce will be women, compared with 44 per cent in 1996. Slight falls are projected in male activity rates for all age categories, the biggest being a 2 per cent drop in the 55 to 59-year-old group. The workforce will be older in 10 years' time: there is a projected rise of 2.3m in the number of people over the age of 35 in the labour market and a fall of 1.1m of those under 35. However, the UK's labour force is also projected to increase by 1.2m on today's figure of 27.8m. *Robert Taylor*

■ PILOT TRAINING

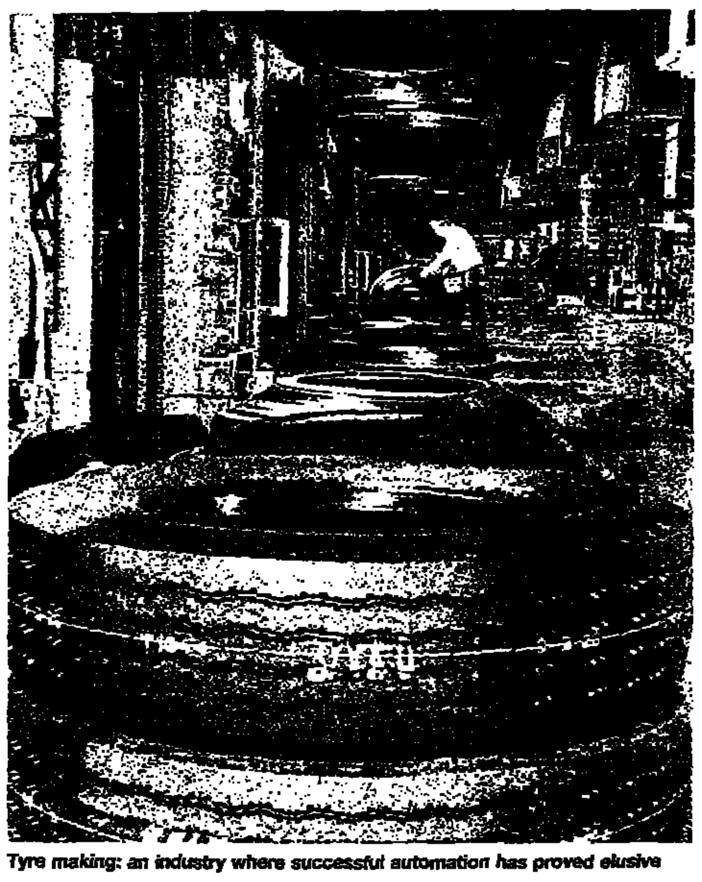
BAe warns of Hawk problem

British Aerospace has advised customers using older versions of its Hawk advanced jet trainer aircraft not to fly the fighter following a problem with a Royal Air Force Hawk. The RAF has grounded its Hawk fleet, including the Red Arrows display team, following an incident last Thursday when a pilot from an RAF training base reported difficulty with the tailplane. A subsequent investigation revealed a problem with one component in the tail control system. As a result BAe advised other users of the jet trainer not to fly Hawk aircraft which have logged more than 600 hours until the exact cause of the problem has been identified.

The company said that it was optimistic that the problem would be resolved quickly. The Hawk is one of BAe's big export success stories, with aircraft being used by the US, Saudi Arabia, the United Arab Emirates, Malaysia, South Korea and Indonesia. *Bernard Gray*

Mystery surrounds Michelin's revolutionary C3M tyre-making unit, writes **David Owen**

Wheel it out slowly

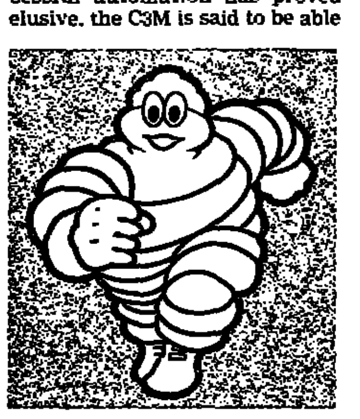


Tyre making: an industry where successful automation has proved elusive

It is one of the most talked about, but least known, machines in world industry. And some expect it to revolutionise the $60bn-a-year (£37bn-a-year) tyre sector's manufacturing and distribution systems in a way resembling the impact of mini-mills on the US steel industry.

The C3M is perhaps the most closely guarded secret, among many closely guarded secrets, at France's Michelin, one of the world's three tyre giants, along with Japan's Bridgestone and Goodyear of the US.

An automated manufacturing unit, in an industry where successful automation has proved elusive, the C3M is said to be able to switch efficiently between different tyres – a potentially important attribute in a market experiencing increased diversity of demand.



François Michelin, the company's head, has compared its potential industrial impact to that of the float glass process which revolutionised glass making after its introduction by the UK's Pilkington in 1959.

Stephen Reitman, an analyst with Merrill Lynch in London, says the C3M "delivers a very substantial increase in productivity" and "seems to be in advance of the competitors".

During a rare visit last week to the company's biggest tyre testing facility at Almería in southern Spain, Michelin executives were silent on the machine's technology. The group has always designed and assembled its own machinery, believing that it is important to have expertise in all areas that could help it improve the performance of its products.

They were more forthcoming about how C3M could reshape the industry, outlining a vision of a network of small plants serving relatively confined regional markets, in the way that mini-mills largely do in the steel sector. Tyre distributors, they say, might one day be able to place an order with a local C3M facility and take delivery of the newly manufactured tyres the next morning.

The executives are reluctant to estimate how long this is available for a significant part of the market. They acknowledge too that even after the forthcoming inauguration of the group's third C3M machine, the new technology will produce less than 1 per cent of its world output of passenger car tyres.

Given that experimental work on C3M is said to have started almost 20 years ago, Michelin's rate of progress seems strangely slow. If it is such an outstanding breakthrough, why is introduction of the C3M on a significant commercial scale so slow?

One possibility, given the secrecy, is that the process has been beset by more teething problems than admitted. But analysts say that the first C3M-produced tyres to appear on the market are recognisably different from those produced by traditional methods, but very good.

A more likely explanation is that the financial and commercial circumstances that would persuade a company in Michelin's position to accelerate development are not yet in place.

The company still makes good profits with its existing machinery. First-half operating profits, unveiled last September, were up more than 30 per cent at FFr3.62bn (£400m) on turnover of FFr34.91bn. Christopher Will, an analyst with Lehman Brothers in London, says: "Michelin has a good profits future. This would be the case even if it scrapped C3M because the industry's fundamentals have become much stronger."

Its recent priority has been to cut its debt/equity ratio, which shot up after the acquisition of Uniroyal Goodrich seven years ago and was still 197 per cent on June 30 1996.

The widespread introduction of C3M would probably entail a substantial cut in the workforce. Reitman observes: "C3M is the tyre industry's equivalent of the neutron bomb in terms of employment". Such cuts would help long-term profitability, but would be highly controversial in France, where unemployment is at a post-war high. Michelin is closely associated with a single local community, the provincial French town of Clermont-Ferrand.

There appears so far to have been insufficient incentive, particularly in Europe, for the company to introduce the new technology rapidly. It claims to have relocated 40 per cent of its European machinery recently to adjust plant configuration. Hardly the actions of a company expecting the machines soon to be replaced.

Analysts suspect, nevertheless, that consumers in at least one part of the world may not be kept waiting much longer before C3M-manufactured tyres are available in relatively large volumes.

They believe North America, where tyre prices are lower and labour markets more flexible, is where the machine will first really make its presence felt. Will says: "I think C3M will arrive in North America with a bang."

Illuminating insights into quasars

The debate among astrophysicists about the nature of quasars, the most luminous objects in the universe, may be quelled with forthcoming technology.

Until now, astronomers have been hamstrung by equipment that lacked the means to distinguish between a quasar's luminosity in the foreground and that of its host galaxy in the background.

But a solution could be supplied by Nicmos, a near-infrared camera and multi-object spectrometer, which will be installed during a Hubble Space Telescope refurbishment mission due to be launched from Nasa's Kennedy Space Centre in Florida on Tuesday. By viewing galactic structures in infrared light, Nicmos should provide new details about quasars' host galaxies.

Two astrophysicists, John Bahcall, of Princeton University, and the University of Wales's Mike Disney, lead speculation over these perplexing, very distant points of light.

Disney believes they may be super-massive black holes which ignite after colliding with another galaxy. Bahcall agrees that this is possible for some quasars, but counters that others appear almost "naked" or without an interacting galaxy or host galaxy to fuel them.

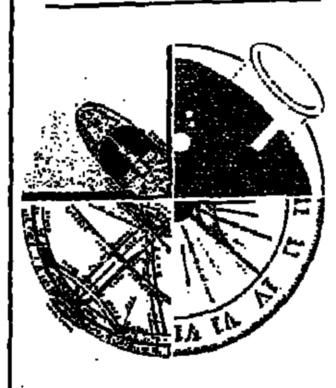
The highly-sensitve apparatus uses technology inspired by heat-seeking "Hell-Fire" anti-tank missiles. Because Nicmos will operate outside earth's atmosphere, it should see a quasar's host galaxy more clearly than ground-based observation can achieve.

A second instrument, the Advanced Camera for Surveys, will be installed on Hubble in 1999 and will use a wide-field lens to look for undiscovered quasars. The camera should be able to counter quasar-glare effectively with a coronagraphic (or screening) device which will also give it the ability to peer into a host galaxy's nucleus.

Ultimately, however, ground-based infrared observations may give the best host galaxy-quasar contrast. New generation Adaptive Optics at the Keck Telescope in Hawaii continue to reduce earth's atmospheric distortions. Using a laser-generated artificial control star to measure the atmospheric distortion, a computer then feeds a deformable (or fully flexible) mirror the correct compensations at a rate of several hundred times a second.

Bruce Dorminey

Worth Watching · Vanessa Houlder



Memories are made of this

Why do we remember some events, while others slip our minds? New research into how memories leave their mark has been published that could open up new approaches to the treatment of memory loss that accompanies brain injury, stroke, Alzheimer's disease and normal ageing.

Research by scientists at the Federal Institute of Neurobiology in Magdeburg in Germany and the University of Edinburgh in Scotland have found a new insight into the links between learning, memory, protein synthesis and, ultimately gene expression, according to reports in today's Nature magazine.

Memory depends on altering the strength of the synapses, or junctions, between neurons, which is achieved by modifying synaptic proteins. Those modifications – and the memory – become long-lived as a result of a wave of protein synthesis which occurs if the synapses are stimulated repeatedly. The new research has shown that, for lasting memory, the relevant synapse must be "tagged" in a way that allows it to capture the newly-synthesised proteins.

The findings could provide an explanation of why inconsequential events are typically remembered for much longer if they occur around the same time as well-remembered events.

Federal Institute for Neurobiology: Germany, tel 3916263426; fax 3916263426.

Good for a little lighter reading

Most people find that reading in bed for long periods of time gives them aching arms and a cricked neck. Howell Design, a US design company, has tried to make reading more comfortable with a book holder that suspends the book, hands-free, up to 5ft off the floor.

The device, which can be adjusted to the right reading height and angle, can also be used to hold the book in front of a seated reader. The book is strapped by its cover to an easel using Velcro straps; an optical-quality acrylic cover props it open. The Reader's Window costs $249, before packaging and delivery.

Howell Design: US, tel 8022534468; fax 8022538817.

Spark of inspiration

About 60 times a year, the electricity supply is interrupted briefly by storms and other events. These disruptions last less than a second, but they wreak havoc on sensitive equipment and cause companies to lose valuable production time.

Westinghouse of the US has designed a "dynamic voltage restorer" to smooth out dips in the voltage. This uses solid state devices to monitor the incoming supply voltages. If there is a voltage dip, the dynamic voltage restorer uses energy from other "phases" or from capacitors to restore the voltage. Scottish Power is installing a dynamic voltage restorer at a cost of £1.5m at the plant of the Caledonian Paper Mill, at Irvine in Ayrshire, in what it believes is the first project of its kind in Europe.

Scottish Power: UK, tel 0800 224400; fax (0)141 2487262.

Better view of monitors

One of the disadvantages of liquid crystal display monitors, compared with cathode ray tubes, is their restricted viewing angle. Early LCD monitors often had viewing angles as narrow as 35°. Merck, the German manufacturer of LCD products, has just been granted a patent for a new technology that increases the viewing angle to 140° in both the vertical and the horizontal planes.

Merck: Germany, tel 6151720; fax 6151722000.

ARTS

Cinema/Nigel Andrews

Fire above, furbelow

RIDICULE
Patrice Leconte

WHITE MAN'S BURDEN
Desmond Nakano

FLY AWAY HOME
Carroll Ballard

THE PROPRIETOR
Ismail Merchant

For its opening night the Cannes Film Festival likes to match pomp with pomp. Costume movies stiff with genteel opulence serve as looking glass to an audience dressed in everything that Armani, Givenchy and company can hurl together.

Picture then that audience's emotions during the first scene of last year's opener, Patrice Leconte's *Ridicule*. The film is promisingly set in the court of Louis XVI, but before five minutes are up we watch a man take out his organ and urinate at graphic leisure on a paralysed nobleman.

Cannes survived and so can we. *Ridicule* begins viciously and stays vicious. But on the way there is enough to please the glad rag fanciers as well as those who want their minds set alight. Fire above; furbelow; and Remi Waterhouse's superbly finished script giving us a sort of Voltairian *Mr Smith Goes To Washington*.

A young idealist (Charles Berling) who comes to court to plead for a drainage scheme for his diseased swamp of a village must bend to every *belle époque* rule. These include falling into bed with the court seductress (a splendid Fanny Ardant), appeasing the arrogant toffs (Jean Rochefort, corrupt Abbé Bernard Giraudeau) and displaying wit in a society that requires verbal dexterity like a passcard.

Monty Python once gave us a sketch about the high-stress competitiveness of London salon society. ("I wish I had said that": "You will, Oscar, you will".) In *Ridicule* everyone dismisses British wit, or "hiouma" as they pronounce it with *faux* bewilderment. The French style is more cerebral, more referential, more oblique, and designed to kill. Careers tumble before our eyes as a witticism falls short or goes too far. "I can also *disprove* the existence of God!" exclaims the Abbé jocosely, after triumphantly proving it before the King. Everyone's face grows suddenly long as the Abbé's career grows suddenly short.

Leconte, who made *Monsieur Hire* and *The Hairdresser's Husband*, has a surreal, guerrilla grace as a filmmaker. The period details are cliché-free and *bouleversants*: a noblewoman's naked body blown with powder by her maidservants (few people took baths in 1780s Versailles); the Jules Verne-ish diving-suit cobbled up by the hero's marine scientist girlfriend; the philanthropist parading his deaf-mute protégés before a giggling court uncertain if it is being frisked for charity or thrilled with a freak show.

Justice is finally done to and by our hero, but only after he has passed through injustice and indeed embraced it. *Ridicule* is a film about ends and means. To buy anything valuable in this world you may have to sell yourself en route. And 18th-century Versailles, propose Leconte and Waterhouse, was one of history's great social-historical shop windows: a place where self-interest was so overdressed that it only drew attention to its lurking nakedness, and where the perfumed powder of toiletry gave inevitable way to the more cleansing powder of the Revolution.

★

White Man's Burden is another social fable doodling thoughts on justice and humanity. But writer-director Desmond Nakano is no Patrice Leconte. The gimmick here is role reversal: what if an apartheid society existed where blacks held sway over whites? What if unjustly dismissed worker John Travolta, wearing a frightful shade of carroty hair, kidnapped millionaire boss Harry Belafonte, wearing the perplexity of an actor who has not been on screen for two decades? (This film was made before Altman's *Kansas City*.)

All that factory hand Travolta did was cast an accidental eye on Mrs B, glimpsed *en déshabille* through a window, while he delivered a package to B's mansion. Now he is cast out on the streets, where vengeance is his only food. That and the plate of ketchup'd chips whose gourmet possibilities, in the film's only funny, half-human scene, are discussed in minute detail by captive and captor. It is as if a page from a Tarantino script has accidentally dropped into Nakano's ponderous problem opera.

Where Belafonte struggles to give life to his walking cut-out, Travolta actually succeeds in bringing anger, anxiety and a plausible underclass accent (white trash crossed with Afro-American) to his hick from the townships. But where are these townships? Are we in America or Africa? Are we in South Central L.A. or some new Soweto? Where is the detail, where is the folk culture, where is the street slang of this new imagined race war? Even a "universal" fable must have some particularity.

★

Fly Away Home might have had us all flying to our anti-schmaltz pills. The spirit of Disney hovers close to this tale of a Canadian girl in a light aircraft who leads an orphaned brood of wild geese – almost criminally cute as they grow from chicks to fledgelings – to a migrating ground in North Carolina.

She is helped and followed by her inventor-aviator father, played by Jeff Daniels in so much hair and beard that we are amazed he can see a goose in front of his face. But we are amazed at much here: mainly at the achievement of Carroll Ballard and Caleb Deschanel, the director/cameraman team of *The Black Stallion*, in beating off low-flying winsomeness so that their landing strip is clear for comedy, humanity and even enchantment.

Impudent plot flourishes like the aerial gauntlet run by girl and father through a city's skyscrapers – Baltimore suddenly rears out at them through the fog – co-exist with an unsentimental account of re-bonding between Dad and daughter, who has spent childhood years in New Zealand. Anna Paquin, *The Piano*'s Oscar-winner, mixes rapture with Alice-like rationality as the heroine. And even the folically unchallenged Daniels allows two sharp blue eyes and a series of floppy grins to back their way through the hirsuteness. A treat.

Jeanne Moreau suffers long and nobly in *The Proprietor*. Producer-turned-director Ismail Merchant, best known to now as the right hand of James Ivory, casts the French *déesse* as a famous writer re-seeking her Paris roots after too many years in America.

Question one: how can one have too many years in America? All human life is there. Question two: did Moreau have casting control? I hope never to see performances more arch than those by Christopher Cazenove as Moreau's former husband – every emotion semaphored across the footlights – and Sean Young as a vulgar, dimwitted Hollywood actress (no comment).

But then with this script by Jean-Marie Besset and George Trow, who would not flounder? As a last desperate recourse, amid the stilted snobberies, sententiae and anti-Hollywood "satire", Merchant features a brief musical number sung *en plein air* by two leading characters. An hour earlier it might have saved things. At this stage it reminds us of the taste and timing of another famous musical opportunist, the Emperor Nero.

There is always the National Film Theatre's Howard Hawks season. The director's most cracking comedy *My Girl Friday*, with Cary Grant and Rosalind Russell reinvigorating the artwork formerly known as *The Front Page*, is there in a restored print. Hasten while you may.

Cerebral wit, designed to kill: Bernard Giraudeau and Fanny Ardant in Patrice Leconte's 'Ridicule'

Concert

At home with romantics

The Philharmonia is getting itself properly sorted out. Having settled Christoph von Dohnányi as its principal conductor, it has now announced Leonard Slatkin as its principal guest conductor with effect from the 1997/8 season.

Both appointments put the seal on arrangements which were effectively in existence already. Slatkin, who made his name as the long-standing music director of the Saint Louis Symphony, has worked for some years with the Philharmonia as his regular port of call when he has been in London. So, the cachet for the orchestra now comes in having a couple of respected names at the top of its headed notepaper.

In musical terms, the two conductors are reasonably complementary. Dohnányi specialises in the more intellectual German composers, showing his best form recently in the concert performance of Schoenberg's *Moses und Aron*; Slatkin is more at home with the romantics and has an affinity for English and American music. If they want to argue over the Richard Strauss, the Philharmonia can probably offer enough to keep them both happy.

Tuesday's concert at the Royal Festival Hall was Slatkin's first in London since his appointment was made public. To start, there was a slip of a novelty in Glinka's *Kamarinskaya*, a light scherzo with variations. A little-known piece like this can be an unexpected surprise for the audience, and it clearly was for the orchestra, too. The Philharmonia violins were several rehearsals away from getting their bows round it neatly.

After that, Christian Tetzlaff was the soloist in Mendelssohn's Violin Concerto. The main virtue of his performance was that he never tried to make more of the music than it asks for. Tetzlaff's variety of tone was limited, but he played with bright concentration; the orchestra accompanied him without heaviness, though Slatkin has a knack of finding a four-square phrase in early romantic music, if there is one.

The main work – a Slatkin favourite – was Elgar's Second Symphony. It was strange to hear this symphony again after memories of John Eliot Gardiner's very different performance with the same orchestra, not least because the American Slatkin feels Elgar's music in a more traditional way than the English Gardiner. I have to say that I found Gardiner's excessively taut Elgar 2 hugely involving, but Slatkin was certainly nearer what the composer intended in this mature and confident showing. The orchestra also played well for him. One sensed they had not enjoyed the experience of Elgar with Gardiner much.

Richard Fairman

Mitridate in no-man's land

Andrew Clark reviews a Mozart mini-festival in Salzburg

There is a lot going on in Salzburg this year, and the British have grabbed a good slice of the action. The summer festival promises Sam Mendes's new National Theatre production of *Othello*, a Peter Greenaway extravaganza, a Mark-Anthony Turnage evening, a Philharmonia Orchestra residency and Britten's *War Requiem*. The main focus of the Easter festival is Bryn Terfel's debut as Wozzeck. And the Mozartwoche (Mozart week), a mini-festival to brighten up the depths of winter, has been dominated by British period specialists.

A decade ago, when Salzburg's taste was defined by Herbert von Karajan, none of this would have been possible. The fact that such a bastion of middle Europe should open itself to Anglo-Saxon culture represents a significant shift in its outlook. Gerard Mortier has been a key agent of change – but his influence is limited to the summer festival. What cannot be denied is that some of the most dynamic voices in the performing arts today come from the English-speaking world, and Salzburg has finally got the message.

This is especially true in the field of historically aware performance. Roger Norrington, John Eliot Gardiner and Christopher Hogwood all had their say during the Mozartwoche – Norrington in a new production of *Mitridate* at the Kleines Festspielhaus, Gardiner in a Mozart and Schubert concert with the Vienna Philharmonic, and Hogwood in two programmes with the Academy of Ancient Music. Here is more than a touch of irony: Salzburg importing musicians from the UK to play "authentically" the works of its most famous son.

Given that Salzburg is hardly deprived of Mozart for the rest of the year, a whole week of his music could seem like too much icing on the cake. In practice, it does not work out so. The snow-covered scenery is spectacular, and there are none of the Easter and summer festival tourist hordes; but the musical standard is just as high.

If that were not the case, an out-of-season Mozart festival would be little more than a marketing tool to fill empty hotels and theatres. It is more than that: the Mozartwoche has turned itself into a lexicon of performance styles. The well-cushioned Vienna Philharmonic is still the biggest crowd-puller, but the real connoisseurs flock to the period instrument ensembles. And Mozart's *Missa solemnis* at Sunday mass in Salzburg Cathedral has an authenticity of its own.

This year, the most intriguing sounds came from Robert Levin's performances of two piano concertos, the B flat K.450 and Coronation K.537, on a Hammerclavier which the composer is said to have used as a child. Strictly speaking this was not authentic Mozart: by the 1780s, when he composed these two works in Vienna, he was accustomed to a larger, more developed keyboard instrument. So it was hardly surprising the solo part should sound miniaturised, even in the friendly acoustic of the Mozarteum.

But Levin's performance last Sunday quickly outweighed such considerations. He explored a far wider range of dynamic nuance than you would have thought possible on such an instrument; his phrasing was flexible but never indulgent; and for all his clever-jack platform manner, he proved himself an intuitive musician, eager for playful dialogue with those around him. How often do we encounter such spontaneous, intimate music-making in this repertoire?

Hogwood's accompaniments were less convincing. Like Raymond Leppard, Hogwood has never been able to shake off the mantle of the harpsichordist-scholar who aspires to be a conductor. Perhaps his real strength lies in the baroque repertoire. In these Mozart performances, and in a prosaic account of Haydn's symphony in F major (Hob.1:79), Hogwood never really persuaded us he was necessary; which, of course, a conductor wasn't in Mozart's day.

Norrington acknowledged the point in his programme note for *Mitridate* – but he could afford to, because this was a production in which the conductor made all the difference. Salzburg has traditionally overlooked Mozart's adolescent output; Norrington has put it back on the agenda. *Mitridate* may not be Mozart's most profound music, but it is still unbelievably mature for a 14-year old. By bringing a *con moto* emphasis to his tempi, fast and slow, Norrington tapped the music's zest and brio, and the modern-instrument Camerata Academica sounded transformed.

Sadly, the orchestral performance did not meet its match in the stage production, which found Norrington's old Kent Opera partner, Jonathan Miller, floundering in a sea of half-realised ideas. Peter Davison's decor was a loose juxtaposition of brick façade, pre-fab panelling and blue sea-sky – apparently intended as a metaphor for the cold walls of power over which love triumphs. Like Frida Parmeggiani's costumes – black oriental hair and coats for the men, pannièred frocks for the women – the result was neither of our time nor sensitive to 18th-century styles and manners.

Worst of all, Miller left his singers in a dramatic no-man's land. This and other recent productions suggest he has become little more than a *metteur en scène*, content to decide a framework of interpretation (sometimes inspired, frequently not) and leave the singers to fill in the detail. Where the cast is experienced, or there is a good revival director, it works; otherwise, as in *Mitridate*, the acting is casual and ill-coordinated.

Only two singers had a clear-cut profile in *Mitridate*. Vesselina Kasarova devised an intelligent vocabulary of gesture to establish the scheming personality of Farnace, using her rich mezzo timbres to brilliantly expressive effect; her artistry and confidence have developed out of all recognition since I last heard her two years ago. Bruce Ford, Covent Garden's Mitridate in 1991, made light of the part's ferocious vocal demands, and cast a subdued but dignified figure. The others sang the notes efficiently enough, but conveyed little palpable feeling. The production needs extensive re-working if it is to pass muster at this summer's festival.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Joods Historisch Museum Tel: 31-20-6269945
● Joden in Berlijn: this exhibition of works from the collections of the Jewish Museum and the City Museum in Berlin focuses on the history of the Jewish community in Berlin. Among the highlights of the exhibition is a portrait of Minister of Foreign Affairs Walther Rathenau by Edvard Munch; to Apr 1

■ ANTWERP

CONCERT
deSingel Tel: 32-3-2483800
● *Champ d'Action: with* conductor Celso Antunes perform works by Xenakis, Goeyvaerts and Brewaeys; 8pm; Feb 7

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Claudia Barainsky and Martin Fahlenbock: the soprano and flutist perform works by Beck, Krenek, *Mozart and Bach*; 7.30pm; Feb 8

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Tancredi: by Rossini. Conducted by Fabio Luisi, performed by the Staatsoper Unter den Linden. Soloists include Jeffrey Francis, Gloria Scalchi and Kwangchul Youn; 4pm; Feb 9

■ BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● Die Grossen Sammlungen V: Museo Nazionale di Capodimonte, Neapel: exhibition featuring about 130 paintings from the collection of the Museo Nazionale di Capodimonte in Naples. Included are works by Andrea Mantegna, Raphael, Titian, El Greco, Pontormo, Lorenzo Lotto, Correggio and Annibale Carracci; to Mar 2

■ HELSINKI

OPERA
Opera House Tel: 358-9-403021
● La Traviata: by Verdi. Conducted by Okko Kamu, performed by the Finnish National Opera. Soloists include Ritva-Liisa Korhonen, Ari Grönthal and Raimo Laukka; 7pm; Feb 8

■ INDIANAPOLIS

EXHIBITION
Indianapolis Museum of Art Tel: 1-317-923-1331
● *In the American Grain*: exhibition exploring American modernism, featuring 76 paintings, watercolours and photographs by photographer and gallery owner Alfred Stieglitz and members of his circle; Arthur Dove, Marsden Hartley, John Marin and Georgia O'Keeffe; from Feb 9 to Apr 27

■ LONDON

AUCTION
Bonhams Tel: 44-171-3933900
● *20th Century Design: sale* featuring a significant collection of 1930s modernism by the Finnish designer Alvar Aalto and Italian works by Fornasetti, Stagi and Pesce; 2pm; Feb 8

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● The Sleeping Beauty: a choreography by Marius Petipa to music by Tchaikovsky, performed by the Royal Ballet. Soloists include Miyako Yoshida and Irek Mukhamedov; 7.30pm; Feb 7

EXHIBITION
Victoria & Albert Museum Tel: 44-171-9388500
● In Pursuit of Old Masters: at the end of 1994 the Victoria & Albert Museum received more than 300 Arundel Society watercolours in a transfer from the National Gallery. The society, an antiquarian and educational association, was founded in 1848 with a view to improving public artistic education through the copying and publishing of *examples of Italian art before* Raphael. This display follows the history of the society and includes prints in line, colour and wood engraving; to Mar 30

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Vija Celmins: exhibition featuring paintings and drawings by the Latvian-born painter whose work began in the 1960s with a *series of images of household* objects painted with absolute objectivity. Also on display is a rare sculptural work, made up of copies of a set of stones collected from the New Mexican desert. The exhibition was *previously shown at the Institute* of Contemporary Arts in London; to Mar 23

■ NEW YORK

EXHIBITION
***MOMA - Museum of Modern* Art, New York** Tel: 1-212-708-9400
● Rainer Werner Fassbinder: retrospective exhibition devoted to German film maker Rainer Werner Fassbinder, one of the main representatives of the New German Cinema. Fassbinder died at the age of 37 in 1982, having completed 44 films. This retrospective is the first complete exhibition of Fassbinder's films in the US and includes many new prints; to Mar 31
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Some Women: an exhibition of *portrait busts of eight women, in* bronze and marble, by Rodin, Lehmbruck, Brancusi, Giacometti and others; to Apr 6

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● François-René Duchâble and Jean-Claude Pennetier: the pianists perform works by Schubert; 11am; Feb 9

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● Le paysage américain photographie (1861-1890): photography exhibition documenting both the early years *of the art and the adventures of* American explorers, captured in wild landscapes such as Niagara Falls; to Mar 2

■ VENICE

EXHIBITION
Collezione Peggy Guggenheim Tel: 39-41-5206288
● Picasso: L'Atelier: exhibition focusing on Picasso's painting "L'Atelier" (1928) from the Peggy Guggenheim Collection. It is the only painting that Picasso repurchased in order to continue work on it. Also included in the exhibition is the painting of the same date and title from the collection of the Museum of Modern Art, New York, the painting "Le Peintre et son Modèle" (1926) and five drawings from the collection of the Musée Picasso; to Mar 31

■ VIENNA

EXHIBITION
Kunstforum der Bank Austria Tel: 43-1-5320644
● Art of the Mentally Ill: exhibition focusing on 20th century art created by the mentally ill through 200 paintings, graphics and sculptures. The exhibits include works by Paul Klee, Max Ernst, Wölfli and Dubuffet; to Feb 23

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Il Barbiere di Sivilgia: by Rossini. Conducted by Halász and performed by the Wiener Staatsoper. Soloists include *Brunner, Vance, Lopera and* Sramek; 6pm; Feb 9

■ WASHINGTON

EXHIBITION
National Portrait Gallery Tel: *1-202-357-1915*
● Red, Hot & Blue: The All-American Musical: exhibition on the history of the American musical and the personalities who gave it life. Highlights include a set model from the 1994 revival of "Show Boat" and posters from "Carousel" and "Oklahoma!"; to Feb 9

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

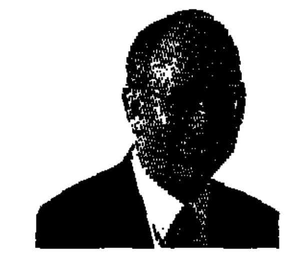
17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Peter Martin

Written in the tea leaves

If a British tea-shop chain could invent a computer 50 years ago, then surely Europe's companies can narrow the gap with their US rivals

If you go to Planet Hollywood, the theme restaurant on the edge of London's Leicester Square, pause for a moment to think of the building's curious links with the world's first commercial computer.

Planet Hollywood occupies the shell of what was once a Lyons Corner House, the upmarket end of the defunct chain of hundreds of tea shops and cafés all over Britain.

And exactly 50 years ago, Lyons started constructing the world's first commercial computer to handle the accounting chores of its whole business – including the Leicester Square Corner House. So reliable were the Leo computers that Lyons was able to sell them to other companies; a history* of Leo describes one still in use as recently as 1980.

The Corner House is long gone, replaced by a shrine to American popular culture. The Leo is long gone too, replaced almost everywhere by the products of the US computer industry.

That is, perhaps, worth a moment's nostalgia. More serious, though, are the crocodile tears now being shed by the high priests of American computing. The latest example of *schadenfreude* comes from Mr Andy Grove, boss of chipmaker Intel, who says that an "unenthusiastic approach" to the use of computers puts European companies 10 years behind American rivals.

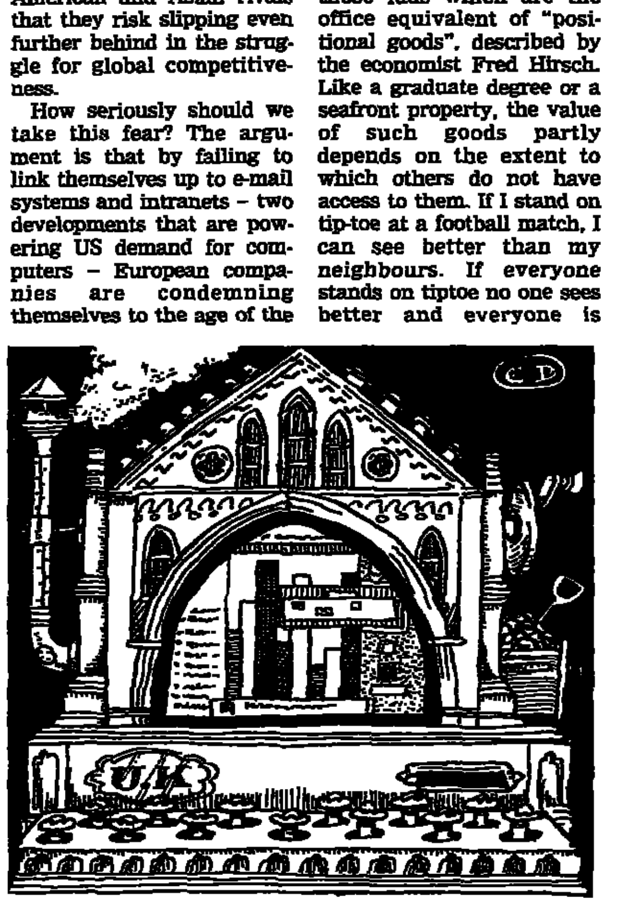
Similar noises have come from International Business Machines and from Digital. All three companies are partly seeking to stimulate demand for their own products, which in Europe has lagged behind the levels seen elsewhere. Weak business confidence, a result of the recession in continental Europe, has held down levels of investment – and computers have suffered along with factories and other capital equipment.

Yet Mr Grove and his colleagues are undoubtedly touching a nerve among European businesses. If they are to be believed, few European companies today are likely to emulate Lyons' 50-year-old leap into the computing future.

Lyons built its own computers (with metal cases from Mulliner Park Ward, the Rolls-Royce coachbuilder, and consoles from Camper & Nicholson, the yacht yard). No one would suggest such a course today. If Europe's computer industry is largely defunct, that is something we have learnt to live with.

Mr Grove is saying something far more serious: that European companies are buying computers so much more grudgingly than their American and Asian rivals that they risk slipping even further behind in the struggle for global competitiveness.

How seriously should we take this fear? The argument is that by failing to link themselves up to e-mail systems and intranets – two developments that are powering US demand for computers – European companies are condemning themselves to the age of the carrier pigeon and the first class stamp. "These applications let you react in minutes and hours instead of days," says Mr Grove. "In that sense, Europe is way behind."



Well, maybe. If Europeans prefer to rely on their (speedy and efficient) postal services, along with fax machines, to conduct their business, is that such a big deal?

How truly efficient is it for the chairman of Microsoft, Mr Bill Gates, to be tied to his e-mail to such an extent that he confesses to breathing a sigh of relief when he has caught up with each day's inflow, and usually has to log on from home late in the evening to complete the task?

So perhaps this is one of those fads which are the office equivalent of "positional goods", described by the economist Fred Hirsch. Like a graduate degree or a seafront property, the value of such goods partly depends on the extent to which others do not have access to them. If I stand on tip-toe at a football match, I can see better than my neighbours. If everyone stands on tiptoe no one sees better and everyone is uncomfortable, yet none of us can relax if we wish to see the game.

Similarly, if I can send e-mail to anyone I choose, that is a clear gain in convenience and (arguably) in efficiency. If really important news gets to me quicker, I am also better off. Yet if everyone sends me e-mail all the time, then reading and reacting to it merely adds another chore to my daily list.

There is a deeper sense, however, in which the American doomsayers may be sending Europe a useful warning. If European companies choose not to submerge themselves in a flood of e-mail, that is a defensible choice of business style. Where European businesses do place themselves at risk, however, is if they miss out on the opportunities for profound corporate change that the electronic communications revolution offers.

Cheap, high-bandwidth communications, often using Internet protocols, create the possibility of entirely new business models, transforming established industries. Some European companies are already taking advantage of this revolution.

Direct telephone banks and insurance companies in Germany, Britain and France rely on lavish computing power. Switzerland's stock exchange offers instant on-screen price dissemination, trading, settlement and clearance, at a click of the mouse. Britain's WPP has bought stakes in some of the most interesting new American business pioneers, such as Peapod, an electronic grocery store and delivery service.

All these are praiseworthy innovations. Yet few European companies have committed themselves as fully to the electronic commerce revolution as General Electric of the US, which is developing seamless intranet links between suppliers, customers and internal departments.

European experiments tend to be just that – experiments. Corporate intranets that provide office phone directories, benefits bulletin boards, and product catalogues. Electronic information channels hedged around with restrictions on who can read what. E-mail negotiations that stop short on the threshold of a transaction, leaving that to be handled by more conventional means.

It is this gap between the potential of the communications revolution and its actual implementation in Europe that is the worrying aspect of Mr Grove's warning. As European managers struggle with weak continental demand, the complexities of monetary union, and the competitive threat from Asia and the US, it is easy for them to back away from the open-ended challenge of building new communications-based architectures for their companies.

Yet without some such attempt, European businesses risk weathering today's challenges only to fall victim to tomorrow's. The risk – and the opportunity – is not unlike that faced half a century ago by the board of J. Lyons. Then as now, the costs of committing to the new era were relatively low: £140 for an oscilloscope, £14 for benches and stools, £15 for small tools.

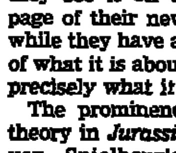
Today's intranet technologies are similarly cheap, largely building on existing hardware. The challenge now, as then, is to take a leap into the unknown. Mr Grove clearly thinks today's European business leaders do not have the imagination and courage displayed by a bunch of tea-shop managers 50 years ago. It is up to them to prove him wrong.

**Leo: The First Business Computer, by Peter J. Bird, Hasler Publishing, £15.95, 272pp*

BOOK REVIEW · Philip Coggan

THE EDGE OF CHAOS
Financial Booms, Bubbles, Crashes and Chaos
By Bernice Cohen, John Wiley, 392pp, £19.99

On butterflies and hurricanes



Chaos theory is one of those terms like stakeholding and the "end of history". Readers nod sagely when they see it on the features page of their newspaper but while they have a vague idea of what it is about, few know precisely what it means.

The prominence of chaos theory in *Jurassic Park*, Steven Spielberg's dinosaur epic, means most people will be aware of the term. They may also have heard the oft-used illustration of chaos theory in action – that the flapping of a butterfly's wings might lead, eventually, to a hurricane.

The mathematics underlying chaos theory may be extremely complex, but its two basic tenets can be understood by people who cannot tell an algorithm from Al Gore. The first is that behaviour which appears unpredictable, indeed chaotic, is in fact governed by simple rules. The second is that small changes in the initial conditions of complex systems (the butterfly effect) can have enormous consequences.

It is only natural that some have sought to use chaos theory to explain events in financial markets. There is a certain plausibility about the linkage; financial markets are complex systems, their behaviour is often extremely difficult to explain in conventional terms and they occasionally lurch to extremes in the form of bubbles and crashes.

Mrs Bernice Cohen's book has two main elements. One is an account of financial disasters: John Law's Mississippi scheme in France; the South Sea bubble in Britain; the Wall Street crash of 1929; and the global stockmarket crash of 1987.

The second explains chaos theory, suggests why it might be useful in explaining movements in financial markets, and attempts to fit the above financial catastrophes into a chaos model.

It is always worth reading about the 18th century financial bubbles because they contain all the ingredients of modern money scandals – in particular, greed and gullibility. The delight is in the detail. Many might not realise that Sir Isaac Newton lost a good deal of money in the South Sea bubble or that Guy's hospital in London was founded with the profits of one investor who took his money out in time.

Relating these incidents to chaos theory is more problematic. Mrs Cohen makes a valiant attempt, but it is hard to see how using chaos theory makes the events more understandable than the commonsense explanation: that easy-money policies eventually find their way into the prices of financial assets, that such policies are unsustainable and accordingly, when credit is tightened, financial asset prices will fall sharply.

Even if one were to accept chaos theory as the underlying principle that moves markets, it is difficult to see how the investor could make much use of the knowledge. A recent book on the latest market modelling techniques found: "Most interviewees simply feel that the theory is conceptually too complex to find much application in finance today."

There is also a difference between using chaos theory as a way of understanding the weather and using it for the markets, where human behaviour plays the dominant role. Suppose someone did come up with the perfect chaos theory model that could predict market movements. The very existence of such a model would change investor behaviour and alter the nature of the markets, thereby making the model's predictions less likely to come true.

A certain amount of chaos seems to have crept into the editing of this book. A financial work ought to be able to spell the name of Paul Volcker, former chairman of the Federal Reserve; it should not state on one page that Black (or White) Wednesday was on September 15, and on another September 16. Someone should surely have checked that Ben Bradlee, not Bradless, edited the Washington Post and that the UK Conservatives won their fourth, not third, term of office in 1992.

A good editor could also have shortened the book considerably. Mrs Cohen does not so much labour a point as bludgeon it to death.

Assertions are often repeated twice on the same page and her love of metaphor, while an understandable approach to jazzing up an arcane subject, resembles an addiction. "To thoroughly understand chaos, we have to grasp its medusa-like tentacles and wrestle with some of its mind-bending notions... For as we know, the financial world is a hornet's nest of sudden surprises. Expect the unexpected and you may still be wrong-footed by the turn events do take. Economic happenings are a minefield of false starts and of U-turns."

The effect is to stupefy the reader into exhaustion, making him wish not for a hurricane, but for the reviving breeze of a butterfly's wings.

The Edge of Chaos *is available from the FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Japanese share fears over future

From Mr Jonathan Norbury.

Sir, John Plender's extract on the insecurity of individuals in wealthy developed countries gives the impression that this is a predominantly English-speaking phenomenon. I would suggest that the preoccupations of Japanese individuals are little different; fear of unemployment and the end of lifetime employment, concerns over the funding of state and corporate pension schemes, and mistrust about the behaviour of politicians and public employees.

A four-year recession and a weak economic recovery have led the individual to question the benefits of stakeholder Japan as the true extent of corporate abuse is revealed through bad debts and dubious lending. The irony is that those companies that have been exposed to the global, capitalist market places – such as electronics and automobile manufacturers – are the ones best equipped to cope with change.

Public exhortations about the need for change via deregulation and the introduction of greater competition are seen as a necessary evil with few immediate benefits for overall employment.

**Jonathan Norbury,
#202 Ishikawa House,
2, Rokubancho,
Chiyoda-ku,
Tokyo 102,
Japan**

Danger in ringing these costly numbers

From Mr Frits van Kempen.

Sir, May I suggest that anyone who is tempted to part with £1m for the 07000 MILLENNIUM and 0321 MILLENNIUM telephone numbers ("Golden numbers ring up a fortune", February 3) considers the following first:

- What percentage of the population can actually spell millennium correctly, given the difficulty some people have spelling the word potato?
- What percentage of the population is willing to dial a 15-digit telephone number?
- What percentage of the population will have returned to use a telephone with a keypad that features letters as well as numbers between now and December 31 2000?
- What to do with these "golden numbers" between January 1 2001 and the commencement of the third millennium fever?

**Frits van Kempen,
Fischerweg 10,
CH4058 Basle,
Switzerland**

Folly of designing terminal for super jumbo

From Mr Geoffrey Woodard.

Sir, I have followed with interest the letters on terminal five at Heathrow.

As traffic increases, the need for another terminal is self-evident but why build it for an aircraft that does not exist and which may never exist?

Frankfurt has built a terminal for super jumbos. It is half a mile long and has only 18 gates. It is a 1990s folly. Just two or three years after opening, its gates are often full, almost entirely with small aircraft. The result is that a high proportion of passengers are already bussed to it. It's a very user unfriendly place.

Why would we want to repeat this nonsense? It is surely much more logical to build a terminal for today's aircraft and bus the super jumbo passengers for a few years should the super jumbo actually be built.

**Geoffrey Woodard,
Avocet House,
Hackeston,
Woodbridge,
Suffolk IP13 0DT, UK**

Far better to spread the risk

From Mr Ernest J. Fenton.

Sir, I would like to take up the issues raised by Lex on February 1 ("Share ownership"). Lex is right in considering the government's moves to bolster wider share ownership are good to the extent they align employees' and shareholders' interests. But is this really the best way to create a shareholding democracy? Those employees with only small amounts to save may not at all be well served by being encouraged to compound the risk of losing their job and their savings if the employing company runs into trouble!

As Lex points out, equity investment should only be considered if you can spread risk by creating a portfolio of, say, 30 holdings. This can be achieved by buying investment trusts. Being quoted companies, they genuinely achieve wider share ownership and, by having properly diversified portfolios, they also spread risk. Most investment trusts can be bought through low cost savings schemes, putting a portfolio within the reach of those with as little as £30 a month to invest.

**Ernest J. Fenton,
director general,
Association of Investment Trust Companies,
8-13 Chiswell Street,
London EC1Y 4YY, UK**

Bank of Japan survey change will enhance accuracy

From Mr Masayuki Matsushima.

Sir, Your report "Fears for Japan's recovery" (January 24) gives a rather one-sided view with regard to the Bank of Japan's *Tankan* (short-term economic survey of enterprises in Japan). You quote the views of some economists and the market, but make no note of our review of the timing of the *Tankan's* publication.

In fact, the only reason the Bank has decided to delay publication of the survey for about one month is to meet increasing requests from enterprises that the survey be conducted at the end of March rather than the beginning of February. This would allow them more fully to take account of changes in economic and monetary conditions before they finalise their business plans for the following fiscal year (for most Japanese companies the fiscal year ends in March). For the same reasons, the *Tankan* survey hitherto conducted in August will be put back one month.

The reason for changing the months when the *Tankan* survey is conducted is to enhance its accuracy. The bank attaches great importance to accuracy, transparency and the timeliness of its statistics, and has made a number of improvements to the *Tankan* as well as other financial statistics. Of no less importance than the timing of the *Tankan* is that a review of the content of the survey was also announced last week (the number of questionnaire items will be halved from the forthcoming *Tankan* survey in order to alleviate the reporting burden on responding enterprises).

**Masayuki Matsushima,
director,
research and statistics department,
Bank of Japan,
2-1-1, Nihonbashi Hongoku-cho,
Chuo-ku,
Tokyo 103, Japan**

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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The financial melting pot

Thanks to the Glass-Steagall Act of 1933, the demarcation lines in the US financial landscape used to be among the clearest in the world. The potential amalgamation of one of Wall Street's pre-eminent investment banks, Morgan Stanley, with the retail financial services group Dean Witter, Discover, serves to underline the dramatic extent to which familiar boundaries have changed.

It is not simply that the provisions of the unrepealed Glass-Steagall legislation have been eroding. The mutual funds, which have grown in value from a little over \$1.1 trillion in 1990 to nearly \$3.5 trillion today, have expanded so fast that they threaten to displace banks as managers of household wealth. Citicorp, Fidelity, Merrill Lynch and, since its acquisition of Van Kampen American Capital last year, Morgan Stanley, are all bent on chasing the same retail customer.

Meantime, bank loans everywhere are being turned into securities. The European banks are bringing their own version of the hybrid universal banking model to Wall Street. And now, for good measure, peace appears to have broken out between the US Treasury and Senator Alfonse D'Amato, Republican chairman of the Senate banking committee. Measures to give freedom for industrial and commercial companies to own banks and vice versa are a real possibility. Before the decade is out, the US financial structure may take on a shape that will have Messrs Glass and Steagall spinning in their graves.

A Morgan Stanley-Dean Witter merger is not without logic from the shareholders' point of view. The difficult paradox of investment banking since Morgan Stanley floated in 1986 is that while global demand has multiplied, fees have shrunk and risk has increased. The volatility inherent in the investment bank's proprietary trading could usefully be balanced against the more stable, though cyclical, revenues of the retail concern. With Morgan Stanley's firepower behind it, Dean Witter, Discover would compete more effectively against Merrill Lynch (which already successfully combines retail and wholesale financial services) and Smith Barney.

But even if shareholders approve, it remains to be seen whether two very different cultures can be melded together. The more important point, amid the general welter of regulatory and technological change, is that systemic risk in banking is inevitably increasing. In a heady bull market climate, it is vital that wider prudential concerns are not allowed to go by the board.

Balkan cheer

Among many attempts to make sense of developments in Europe since 1989, one of the most insidious has been the thesis that democracy and market economics need a cultural base derived from western Christianity, and are less likely to flourish in Balkan Orthodox societies which endured centuries of Ottoman rule.

This theory received pseudo-empirical backing from the relatively successful transition in some countries of western Christian heritage – Estonia, Poland, Czech Republic, Hungary, Slovenia – while economic reform was more hesitant and politics more turbulent in Orthodox Balkan Bulgaria, Romania and Serbia.

All the more welcome, are recent events in those three countries. Last autumn Romania elected a non-communist president and government who seem at last to be setting about economic reform in a serious manner. Bulgaria too chose a new president, Mr Petar Stoyanov. He has shown true statesmanship in persuading the ruling Socialist party, which had disastrously mismanaged the economy, to bow out, accepting early elections and a caretaker government.

In both Bulgaria and Serbia unpopular Socialist rulers have now yielded to the combined pressure of non-violent mass protests, sustained over many weeks despite police provocation, and of international institutions to which both governments looked for economic aid and political legitimacy.

But in neither is the crisis yet over. In Serbia President Slobodan Milosevic remains in power, with no doubt many tricks still up his sleeve. In Bulgaria the parties will have to agree very quickly on laws needed to set up a currency board, and then hold orderly elections in conditions of real hardship for much of the population. Both peoples will still need great self-discipline, and all the help their friends abroad can give them.

America forever

At this year's Davos summit, two topics dominated the business and economic agenda: the prospects for a single European currency, and Europe's apparent failure to adopt new technology. The themes might seem disparate, but there is a common element: that of American triumphalism.

In the case of technology, that is self-evident. The twin gods of computing, Mr Andrew Grove of Intel and Mr Bill Gates of Microsoft, expressed concern over Europe's slowness to buy their products. Mr Lew Platt, chief executive of Hewlett-Packard, commented in a more detached way that Europe's rate of invention in information technology seemed at an all-time low.

As for the single currency, the view from American delegates was more discreetly expressed, but equally unanimous. Regardless of its timing or membership, they said, the single currency would not work. Of course, it worked in America: but Europe's structures – social, economic and political – were too ossified to accommodate it.

It is worth stepping back to recall why the US was so alarmed by the Japanese threat in the mid-1980s. First, Japan had a clear lead in the relevant technologies, those of manufacturing. Second, its monolithic social and economic structures were ideally suited to pushing the products of those technologies into world markets.

All that has now been reversed. US industry has learnt to copy Japanese techniques of manufacturing. Meanwhile, the information technologies which the US has pioneered are in a state of explosive and unpredictable growth.

This is ideally suited to the pluralistic and atomised structures of the US economy. It is unclear which technologies will work, or which products will find a market. The US has enormous diversity in its workforce and capital structures. The experimental phase of the information revolution thus plays to its strengths.

But it is only a phase. Many US executives seem to believe that the pace of change will go on for ever: but this is to commit the sin of extrapolation. It is much more likely that the future will revert to trend.

Thus, Moore's Law states that the capacity of a micro-chip will double every 18 months. Many in the semiconductor industry – apparently including Mr Moore, co-founder of Intel – accept this is a logically finite process.

Similarly, the Internet is already running into capacity problems. More important, it seems likely that the pace of experimentation on the Internet will eventually slow as the market-place sorts out its chief applications.

As these technologies mature, two things will happen. First, non-US companies will have a clearer view of the opportunities for competition. Second, the flexibility which characterises the Silicon Valley model will become less of a comparative advantage.

Nor is it clear that Europe cannot become more flexible. If it cannot, the single currency is indeed doomed. But suppose the contrary: that the single currency is achieved, and drives the process of structural reform. That is the view of Europe's politicians; and while there is room for scepticism, they are not necessarily wrong.

The contrast with the 1980s holds good in one final respect. Then, Japan's self-confidence rested heavily on the performance of its stock market, which ended in a demoralising crash. It would take a bold spirit to predict anything similar for Wall Street. But in that event, what price US triumphalism five years on?

Another thundering herd

The latest Wall Street merger creates an investment bank that could trample on its rivals, say **John Gapper** and **John Authers**

The merger of the US investment bank Morgan Stanley and the US retail brokerage and credit card company Dean Witter, Discover is not simply a significant event for the American securities industry. It could also have repercussions for banks, brokers and fund managers around the world.

The merged company is most obviously a response to what has been the unexpected success in recent years of Merrill Lynch, the largest US retail broker. Merrill's "thundering herd" of local salesmen have been combined with an institutional broking arm to make a strong investment bank.

It also poses a big challenge to banks, led by J.P. Morgan, that have tried to build investment banking operations on top of lending businesses. As the traditional boundaries between US banks and securities firms have weakened, this has often appeared the most likely model for the future.

This is not merely an issue for participants in the US. The biggest US investment banks – notably Morgan Stanley, Merrill Lynch and Goldman Sachs – have developed strong international operations. By reinforcing its powers to sell securities in the US, Morgan Stanley may gain an extra edge.

"I think this is a fascinating deal. Unlike many other mergers it's not one of consolidation, but of complementary expansion," says Mr James Quella, a director of Mercer management consultants in New York. "There is now a competitor for Merrill, which has never existed before."

Even three years ago, the notion that retail brokers in the US could be an essential part of a global investment bank would have seemed a strange idea. Not only did they have a poor image, but the cultural problems in combining them with investment banks had proved immense.

The most notable example was the combination of Shearson, the retail broker, with Lehman Brothers, the Wall Street bank, under the ownership of American Express. This was dissolved three years ago after cultural differences between the two sides prevented them working together.

Yet this was also a poor period for the retail broking industry. Since then, inflows of cash into mutual funds – open-ended pooled investments similar to UK unit trusts – have been so strong that investment banks have realised the best growth prospects are in the retail market.

Last year, mutual funds took in a total \$324.9bn in net new cash flow, almost \$100bn more than the previous record. Thanks to "401(k)" plans – individual retirement plans which are sponsored by companies – mutual funds are also making inroads into the institutional market.

With its acquisition of Dean Witter's fund business, which had \$77.47bn under management at the same time, the new merged company will become only the sixth company to hold more than \$100bn in mutual fund assets, and will gain significant benefits of scale.

Morgan Stanley had already made a move into the retail arena with its purchase of Van Kampen American Capital last year. The company had assets under management of \$35.28bn at the end of last year, to add to Morgan Stanley's existing business which had almost \$9.63bn.

It also now has access to Dean Witter's huge retail brokerage sales force, which numbers about 8,500, and ranks third. When combined with Morgan Stanley's much smaller force of 2,570 brokers, the new company will be of similar scale to Smith Barney, with 11,105 brokers.

It will help stave off the increasing threat from commercial banks. Citicorp sells mutual funds and has made plain its ambition to expand in the sector by acquisition. Bank of America and NationsBank, the third and fourth largest commercial banks, are also seeking acquisitions.

Morgan Stanley has come to this merger after having signalled for some time it was looking to consolidate its position in fund management and securities. Its failed attempt in late 1994 to merge with S.G. Warburg Group, the European investment bank later taken over by Swiss Bank Corporation, was its most significant move.

The Dean Witter merger is of a different kind. As Mr John Mack, Morgan Stanley's president, pointed out yesterday, a Warburg merger would have led to the elimination of overlaps between the two firms. "It was almost a negative because everybody had a cloud over them. The exciting thing in this story is that everyone has a chance to grow the business," he said.

The logic for the Dean Witter network is that it will be able to sell US retail investors both securities issues underwritten by Morgan Stanley and international mutual funds. In turn, Morgan Stanley should be able to market its new strength in retail distribution to overseas issuers.

Mr Mack admitted yesterday that firms with retail arms such as Merrill Lynch have been able to steal a march on Morgan Stanley in competing for mandates to underwrite and distribute big international issues such as the privatisation of telecommunications companies. They have convinced issuers that they have far superior power to place such issues in the US markets.

"If you are an emerging market country that is going to do its first large privatisation, and an investment bank can say it has a huge sales force, it has an impact," he said. Mr Mack also argued that Morgan Stanley would stand a stronger chance with US issuers of securities aimed at retail investors.

Similar logic lay behind the commercial alliance unveiled last month between Salomon Brothers and Fidelity Investments of Boston, which is privately held and by far the largest mutual fund manager and one of the largest retail brokers.

Under the deal, Fidelity was allocated at least 10 per cent of all equity transactions arranged by Salomon Brothers. "While this might not be a specific reaction to the Salomon Fidelity strategic alliance, it certainly smacks of someone trying to answer the same question," says Mr Don McNees of Tillinghast Towers Perrin, the US consultancy.

Yet for all the apparent logic of the deal, there are still considerable questions about making it work. For a start, the company will be a new animal, combining retail brokerage and fund management with a credit card company and a classic investment bank concentrating on institutions.

Mr Mack suggested some way might be found in future to sell other financial products to the 39m customers of Discover, Dean Witter's credit card operation. However, the businesses seem likely to be run largely separately and the specifics of how co-operation will be achieved were not disclosed.

Furthermore, the cultural gap between retail brokers and institutional investment bankers remains large. "There are substantial operating and cultural risks in mergers of this sort. Some of them work, but others don't," says one senior investment banker.

There is a separate question about the personalities at the top. Mr Mack is known as a tough manager who lacks patience with those who do not measure up within Morgan Stanley. He has formed a partnership there with Mr Dick Fisher, the chairman, who has a more laid-back and gentlemanly air.

However, there are, at least, questions over whether Mr Mack will achieve the same harmonious relationship with the younger Mr Philip Purcell, chairman of Dean Witter and of the new merged company.

"I guess some people do not know me very well. I only care about what is best for my shareholders and employees and I care about being on the best team," said Mr Mack rather tartly when this suggestion was put to him. He emphasised that he had suggested closer ties to Mr Purcell two years ago.

Assuming these questions are resolved satisfactorily, the combined company clearly poses a challenge to competitors. One set of financial institutions that will be looking at the new force carefully are investment banks such as Goldman Sachs that lack such a strong retail distribution arm.

"One would be remiss if one did not think carefully about how consolidation of this sort affects us, but we have a very cohesive plan and culture that is successful today, and will be successful going forward," insists Mr Jon Corzine, Goldman's chairman. Nonetheless, Goldman and others may have to accelerate plans to expand in mutual fund management.

On the other side of the industry are the commercial banks led by J.P. Morgan that have been trying to build up their investment banking arms. European banks such as Union Bank of Switzerland and Deutsche Bank have also been trying to build such operations both in the US and in Europe.

Until now, such institutions were thought most likely to be able to claim the title of "the pre-eminent global financial services firm" boasted by the participants in yesterday's deal. As the regulatory divide between banks and securities houses in the US lowers, these banks have been seen as powerful new competitors to Wall Street firms.

Yet this deal at least gives a fighting chance to the sort of combined retail and institutional brokerage that was until now represented only by Merrill Lynch. Broking behemoths which achieve stable earnings through ownership of fund management arms and push aggressively into global capital markets may be able to outflank banks.

Mr Fisher pointed out yesterday that as the industry was gripped by consolidation, Morgan Stanley believed it had to "pick your partner and put together the strongest possible combination you can see". The new company may not be all that its founders claim, but they have given quite a jolt to all the others that are still courting.

Morgan Stanley and Dean Witter: a perfect marriage?

**Top 10 US underwriters
Common stock, 1996**

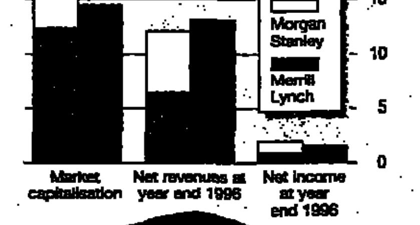
Manager	Amount (\$m)	Rank	%
Goldman Sachs	16,632.7	1	14.5
Merrill Lynch	14,204.2	2	12.3
Morgan Stanley	12,701.5	3	11.0
Donaldson Lufkin & Jenrette	8,037.8	4	7.0
Smith Barney	7,871.1	5	6.8
Salomon Brothers	5,785.2	6	5.0
Credit Suisse First Boston	5,593.2	7	4.9
Alex Brown & Sons	5,460.4	8	4.7
Lehman Brothers	4,563.6	9	4.0
Montgomery Securities	4,283.3	10	3.7

Investment grade debt, 1996

Manager	Amount (\$m)	Rank	%
Merrill Lynch	93,575.7	1	18.3
Salomon Brothers	63,843.7	2	12.5
Goldman Sachs	55,343.2	3	10.8
JP Morgan	53,123.6	4	10.4
Lehman Brothers	51,571.7	5	10.1
Morgan Stanley	48,256.8	6	9.4
Credit Suisse First Boston	34,271.3	7	6.7
Bear Stearns	16,103.9	8	3.1
Smith Barney	15,124.7	9	3.0
NationsBank	14,537.1	10	2.8

**Top 10 US securities firms, Jan 1, 1996
By retail representatives**

Manager	Number
Merrill Lynch	13,758
Smith Barney	11,105
Dean Witter	8,575
Paine Webber	6,198
Prudential Securities	5,864
AG Edwards	5,678
Charles Schwab	4,646
Fidelity Brokerage	3,716
Edward Jones	3,160
Morgan Stanley	2,570



Sources: Securities Industry Association, company reports, Securities Data Corp.

Philip Purcell, chairman, Dean Witter Discover

John Mack, chief executive, Morgan Stanley

· O B S E R V E R ·

Fisher king reels it in

■ On paper the mega-merger with Dean Witter Discover looks like a fitting swansong to Dick Fisher's career at Morgan Stanley. As a young turk in the early 1970s, Fisher helped push the most blue-blooded of Wall Street investment banks into the vulgar world of sales and trading. As chairman he has presided over breakneck international expansion; but with enough caution to leave SG Warburg standing at the altar two years ago.

So securing Morgan Stanley's position in its own backyard looks as good a way as any for the urbane 58-year-old to cap his career. How the new securities industry giant will fare when he finally decides to retire from the board is another matter.

A man of considerable personal charm, Fisher's smooth style has been a welcome counterweight at Morgan Stanley to the robust approach of operating chief John Mack. It'll be intriguing to see whether Mack – a southerner known to insiders as Mack the Knife and Darth Vader, after the villain of the movie Star Wars – can strike up an easy working relationship with Dean Witter boss Philip Purcell.

The new name – Morgan Stanley Dean Witter Discover – at least looks an unhappy compromise. With neither firm prepared to ditch its heritage, and Morgan unable to drop the 'Stanley' under a 60-year-old agreement with former parent JP Morgan, the result was always going to be a bit of a mouthful. Putting the two organisations together should give them plenty more to chew on.

Not shaken

■ There's a bit of a bad smell hanging over the Australian advertising world. Bacardi-Martini Pacific, part of the international drinks group, has been forced to abort a planned "aromatic advertising" campaign, designed to promote Bacardi Limon, a lemon-flavoured alcoholic drink.

Bacardi's idea was to place aroma dispensers in bus and tram shelters in four Australian cities – Sydney, Adelaide, Brisbane and Melbourne. When people walked into the shelters, they would be greeted by a short burst of lemon scent. Observer is no friend of enforced sniffing, but maybe taxis are plentiful in the cities concerned.

In any case, the campaign has already run out of fizz. On Tuesday, state government ministers in Victoria, of which Melbourne is the capital, decided that Bacardi's campaign could induce youngsters to buy booze, and ruled the advertising out of order. Brisbane quickly followed suit.

Now Bacardi has decided to pull the plug. "In the face of extraordinary ministerial and official reaction we have taken the decision to withdraw the campaign and to seek an alternative creative concept," says Paul Hugh-Jones, Bacardi's marketing director. Free samples to local legislators are probably *not* on the agenda . . .

Screw the news

■ On Tuesday night all the US television networks were set up for live coverage of Clinton's state of the union address – until word came that the Santa Monica jury was about to pronounce the verdict in the OJ Simpson civil trial.

The White House exercised a bit of subtle leverage. Press secretary Mike McCurry called the networks, just before crunchtime, to impress upon them that their decision on coverage would be seen as a test of their news values. All decided to stick with Clinton as lead story, though there were plans to cut in with the OJ verdict, if necessary.

In the event, the president was on his penultimate sentence when the Simpson verdict was flashed across the scene. And no, says McCurry, the White House didn't call the judge to ask him to delay proceedings.

Unhappy Grumpy

■ So Xavier de Mézerac, Euro Disney's finance director, has suddenly "decided to explore career opportunities outside the company". That's the very same Xavier de Mézerac pictured in yesterday's 1996 annual report; alongside is a list of his many achievements and responsibilities.

There again, his departure may not have been quite so abrupt as it at first appears. Of all the eight top executives – nine if you include Mickey Mouse – photographed in the company's happy-clappy annual report, he's the only one who can't raise a smile.

Going ballistic

■ Nervous about Chernobyl, or Ukraine's 13 other reactors? Net surfers can rest slightly easier now. Goskomatom, the country's atomic energy agency, now has its own web page, at http://www.gca.ua, where you may view daily updates on Ukraine's nuclear sites. The page plans to go interactive, and questions can be posted for the men who designed Chernobyl.

The Financial Times

100 years ago

Gloom Among The Tombs
There is always a note of sadness in an obituary notice, no matter how humble the circumstances of the deceased or the nature of his moral reputation. There is generally some show of pomp at the obsequies, and a demonstration of more or less acute grief. But what is true of the individual is not necessarily true of the corporation, and their manner of leaving the world differs in a remarkable degree. With the joint stock company, a couple of notices in the "London Gazette" and all is over. But there is pathos in the disappearance of ambitious projects beneath the waves of misfortune. It is painful to record the death of a couple of motor companies – premature mortals which succumbed even before the Act legalising their existence had come into operation.

50 years ago

Oil From Africa
Details of the scheme for the mechanised production of ground nuts in east and central Africa show it to be both far-reaching and statesmanlike. The immediate object is to relieve the world shortage of oilseeds, oils and fats, but the project should greatly benefit the territories and international trade.

FINANCIAL TIMES
Thursday February 6 1997

Bank of Japan set to win greater self-rule

By William Dawkins and Richard Lambert in Tokyo

Legislation will switch power away from finance ministry

A Japanese government panel will today reveal proposals to transfer power to the country's central bank from the finance ministry – the first change in the bank's powers for 55 years.

Under the long-awaited draft plan, the finance ministry would lose responsibility for important policy decisions, including its power to order the central bank to delay interest rate changes. The ministry would be allowed to ask the bank to review decisions only if they contravened Japanese law or its own statutes.

A report prepared by an independent panel in consultation with the bank and the ministry will form the basis of an amendment to legislation governing the Bank of Japan for adoption in the current parliamentary session, which ends in mid-June.

The proposals were given impetus after the government announced last November that it wanted to deregulate the Tokyo financial markets by 2001. Central banks in the European Union are also being given more independence under the Maastricht treaty provisions for economic and monetary union.

Under the Japanese plan, monetary policy would be decided by a new policy board, to be chaired by the governor, currently Mr Yasuo Matsushita, with two other BOJ officials and six outside representatives, including independent economists and government officials.

At present, monetary policy changes are proposed by a BOJ executive committee, which must consult the finance ministry, and adopted by a separate bank policy board.

The report is expected to propose that the bank could for the first time make collateral-free, low interest loans to troubled private-sector banks without consulting the finance ministry. The ministry would be allowed to ask, but not order, the BOJ to carry out financial rescues. Currently, the bank and the ministry have to consult on such rescues.

The appointments of governor and deputy governor would be approved by parliament, as well as by the cabinet, according to the proposals. Currently, only cabinet approval is required.

In addition, the finance ministry's control over the BOJ's budget – unique among advanced industrialised countries – would be limited. The report proposes that the ministry will control the BOJ budget only in respect of functions unrelated to monetary policy, such as salaries.

In return, the BOJ would be exposed to substantially more public scrutiny. The policy board would for the first time be obliged to publish its proceedings.

See Lex

France proposes talks on Russian Nato fears

By Bruce Clark in Washington and Quentin Peel in London

France has suggested to the US, Britain and Germany that they hold a summit with Russia in April, in a bid to overcome Moscow's objections to Nato enlargement, diplomats said yesterday.

They described the proposal for a five-power meeting in Paris, which emerged from President Jacques Chirac's recent visit to Moscow, as a move by the French government to seize the initiative in an increasingly tense European security debate.

French officials said the suggestion had Germany's support but Bonn declined to confirm this. UK officials said they were considering the proposal and US officials declined immediate comment.

However, the French plan could run into strong objections from Nato's smaller members, who feel their interests are best represented by Mr Javier Solana, the secretary-general of the 16-member alliance.

The move comes at a time of increasingly outspoken but conflicting signals from Moscow, arguing against Nato taking in new members from eastern Europe without Russian consent.

Mr Victor Chernomyrdin, the Russian prime minister, has said the enlargement plan could undermine the Russian government and boost support for hard-liners seeking to revive arms production.

Mr Anatoly Chubais, Russian president Boris Yeltsin's chief of staff, has suggested that a deal can be done, provided it is legally binding – something Washington, in particular, is loath to concede.

British officials believe the Russians are making belligerent noises to negotiate a better agreement. They are prepared to consider the French summit plan, provided it reinforces the negotiations being conducted by Mr Solana and fits into the timetable for the Nato summit in July.

The Russian premier is due to begin talks on US-Russian economic relations in Washington today. While there is no formal link between his visit and Nato expansion, diplomats say the talks, and a forthcoming US-Russian summit between President Bill Clinton and Mr Yeltsin, could prepare the way for a bilateral trade-off over European security.

They say France is clearly nervous that key questions about the continent's defence arrangements may be settled without consulting the leading western European powers.

Clinton seizes moment, Page 6

THE LEX COLUMN

Wall Street shuffle

When one of Wall Street's top banks merges with a company half of whose earnings come from credit cards, that is probably a sell signal. By surrendering its independence, Morgan Stanley is indicating tough times ahead. And understandably so, given increasing competition in investment banking. Even in last year's bumper markets, Morgan Stanley managed a return on equity of only 21 per cent. When the markets turn, returns will plummet to a fraction of that.

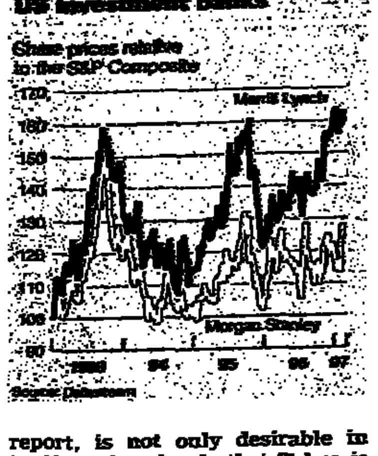
That also explains why the blue-blooded bank is settling for less than a merger of equals. Mr Phil Purcell, Dean Witter's chairman and chief executive, will take the same positions in the new firm. Morgan Stanley's Mr John Mack will be president and chief operating officer. Given that the two men are almost the same age, Mr Mack may never get the top job.

The deal is, of course, not devoid of industrial logic. Merrill Lynch has demonstrated the benefits of vertical integration – winning new equity and debt mandates because of its large retail distribution network. Putting together Morgan Stanley's investment bankers and Dean Witter's retail brokers will, on paper, achieve the same trick.

Whether the combination works in practice is another matter. Merrill's vertical integration is home-grown. The last time such a large US bank/broker merger was tried – with Shearson Lehman – it ended in tears. There must also be a risk that advances in technology will eventually undercut the logic of vertical integration; in an era of electronic distribution, how much will an army of retail brokers count for?

The other main argument for the merger is that it will produce a diversified earnings stream. From the perspective of a Morgan Stanley investment banker, whose personal wealth is tied up in the firm, one can appreciate the point that Dean Witter's less volatile earnings provide an insurance policy when investment banking profits dive. But the price of spreading the risk is a blunter incentive to perform. Morgan Stanley looks like it is cuddling up to Dean Witter for security.

FTSE Eurotrack 200: 2119.8 (+15.9)



Bank of Japan

Greater independence for the Bank of Japan, as suggested by today's long-awaited government report, is not only desirable in itself; it also signals that Tokyo is taking financial deregulation seriously.

Giving the BOJ freedom to set interest rates should produce monetary policy freed of political manipulation. Independence between monetary and fiscal policy, common in most big industrialised countries, enables each to serve as a check on the other. With hindsight, interest rates were kept too high for too long in 1992 and 1993, as government officials pinned their hopes on repeated fiscal stimulus packages to revive demand. The strategy failed, driving the economy to the brink of deflation. An autonomous BOJ might have cut rates earlier.

Just as important are the proposals to give the BOJ powers to decide whether to rescue troubled financial institutions. Currently this is up to the Ministry of Finance, a power it has arguably abused to protect lucrative private-sector jobs for its retiring officials. The fact that the ministry is willing to relinquish control of such a key area reflects its weakened position, after being blamed by politicians and the public for the recession. Of course, these changes have yet to be pushed through parliament. But the thought that even the Ministry of Finance – home of the country's most powerful bureaucrats – can lose a fight augurs well for Japan's efforts at reform.

Prudential/ScotAm

Prudential Corporation has not only brought the battle for Scottish Amicable into the open; it has introduced an ingenious new twist. The essential difference between its plan and Abbey National's is not that it places a higher value on ScotAm; the Pru is in effect offering £400m for the goodwill in ScotAm, and Abbey is proposing to pay at least that sum. Unlike Abbey, however, the Pru is also able to unlock real advantage from the strength of its own life fund. As a result, it can afford to close ScotAm's fund down and return at least £400m in capital to policyholders.

Of course, the Pru will have to persuade its own policyholders that the plan is a good use of their capital. But assuming it can, the wheeze gives it a potentially decisive edge over the likes of Abbey. Only another large insurer would find it easy to pull off the same trick.

Moreover, Pru shareholders can afford to relax. Their investment in ScotAm, if this bid succeeds, would be just £250m – paltry in the context of a £16bn group. That might not be a bargain basement price for the future potential of a life assurer which did only £140m in new business last year. But it does not look like overpayment either.

UK buy-backs

Yesterday's buy-back from RJB Mining suggests Britain's pension fund managers are still letting value evaporate. How? Had RJB handed cash back through a special dividend instead,tax-exempt shareholders would have received cash from the government on top. With a buy-back, not only is this forgone but buy-backs also now take place at a pointless premium.

So why do they persist? One obvious explanation is earnings-enhancement, which is especially relevant with RJB's exceptionally low price/earnings multiple. But this is merely cosmetic. Another could be that companies are giving too much weight to the one group that suffers under a special dividend: the relatively few shareholders who are higher-rate taxpayers. Company directors with significant holdings in their companies are often themselves in this position. For its part, RJB stresses that Mr Richard Budge, its chief executive, who has a significant personal stake in the company, was not involved in its decision. Nonetheless, the potential conflict of interest which can exist in such cases is another reason why institutions should be demanding the tax-efficient solution.

See additional Lex comment on Inury, Page 22

Roche buys US company

Continued from Page 1

pany International Flavours and Fragrances was of a similar scale, and both had market shares of about 16 per cent.

Another large acquisition remains a possibility as Roche still has net cash of about SFr7bn.

Ohio-based Tastemaker was formed in 1992 as a joint venture between Hercules and Mallinckrodt. It had sales of $320m in 1996 and employs 1,280 people.

It has manufacturing plants in the UK, Australia and the Netherlands as well as north America. Half its sales are in the US, 21 per cent in Europe and 17 per cent in the Asia-Pacific region.

US merger announced

Continued from Page 1

of strength, making it very different from a typical securities firms' merger, when one side is struggling.

By combining with Dean Witter, Morgan Stanley will have one of the largest retail investment systems in the US. The company already owns the 11th largest mutual fund business in the US. It will now rank in the top six, with more than $120bn under management. Also, with 9,000 retail brokers, it has the third-largest salesforce in the US, behind Merrill Lynch and Smith Barney.

Foreign investors warn Philippines over privatisation

By Justin Marozzi in Manila

The foreign business community in the Philippines warned President Fidel Ramos yesterday it was losing confidence in the country's privatisation process. The warning followed court challenges to the award of contracts in the past fortnight.

In a "statement of concern", six chambers of commerce criticised "excessive challenges to public biddings". The chambers include those representing companies from the US, Japan, the European Union, Australia and New Zealand.

They urged President Ramos: "Do not change the rules after the game is played and expect to attract players for future biddings ... They will go elsewhere unless the rules are clear, consistent and do not change to suit the losing bidders or other 'aggrieved' parties."

On Monday, the Supreme Court awarded a $30m contract to buy the government's majority stake in the Manila hotel to Prince hotel, a local group that had bid less than the rival consortium of Malaysian group Renong and ITT Sheraton of the US. A court has also suspended awarding contracts in the $7bn privatisation of Manila's water system.

Mr Roberto de Ocampo, the Philippines finance secretary, is studying the Manila hotel ruling. The ruling was based on the "Filipino First" section of the constitution and cited national patrimony as the basis on which to prohibit the foreign consortium from winning the contract.

Depending on the definition of patrimony, the ruling could affect future tenders, said Mr de Ocampo, who is also chairman of the Committee on Privatisation.

"The major difficulty is that it (the ruling) contradicts fair rules of competitive bidding as practised everywhere," he said. The court could have ordered a rebid instead, he added.

One foreign executive said: "The idea of spending what could amount to millions of dollars in feasibility studies and in the bidding process only to have a local group with a lower bid being allowed to match that bid and then win the contract on grounds of national patrimony is absolutely crazy."

The Manila hotel controversy follows the challenge to the $7bn privatisation of Manila's water system, in which a temporary restraining order suspending the award of contracts to two winning consortia was issued only a week after the bids were revealed.

President Ramos, who said he was disappointed with the Supreme Court ruling on the Manila hotel, is trying to increase transparency in the bidding process.

FT WEATHER GUIDE

Europe today

The heaviest rain will fall north of the British Isles but Scotland and Ireland will also be wet. Conditions will be worst over the Hebrides, Shetland and Orkney Islands, where gale-force winds will affect the western shores.

Spain and Portugal will be sunny except in the north which will be cloudy.

Low pressure will bring cloud, rain or showers to the countries bordering the Adriatic.

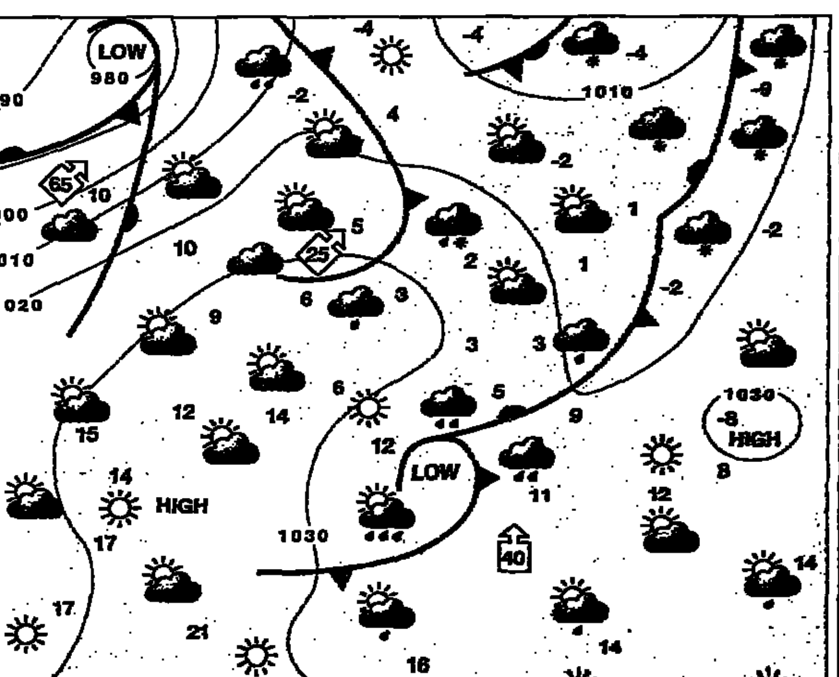
The extremely cold air has moved from Russia into Turkey. Minimum temperatures in the Turkish interior will be around -20C. Daytime temperatures will vary between -9C and -4C.

Five-day forecast

Central Europe will be settled. Sunny periods will alternate with cloud. There will be isolated showers.

Low pressure will bring rain to the eastern Mediterranean.

The Norwegian coast will have unsettled weather with gales.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 1	Caracas	fair 28	Faro	fair 17	Madrid	fair 14	Rangoon	sun 33
	Celsius	Belfast	rain 11	Cardiff	cloudy 10	Frankfurt	rain 6	Majorca	fair 16	Reykjavik	sleet -5
Abu Dhabi	sun 22	Belgrade	rain 5	Casablanca	sun 18	Geneva	cloudy 5	Malta	shower 15	Rio	fair 31
Accra	sun 32	Berlin	rain 5	Chicago	sun 2	Gibraltar	fair 15	Manchester	drzzl 10	Rome	cloudy 12
Algiers	fair 17	Bermuda	fair 20	Cologne	rain 6	Glasgow	rain 11	Manila	cloudy 29	S. Frsco	cloudy 16
Amsterdam	fair 8	Bogota	cloudy 20	Dakar	sun 29	Hamburg	cloudy 6	Melbourne	sun 34	Seoul	sun 5
Athens	shower 13	Bombay	sun 29	Dallas	rain 14	Helsinki	fair -1	Mexico City	cloudy 23	Singapore	cloudy 32
Atlanta	sun 13	Brussels	cloudy 6	Delhi	sun 22	Hong Kong	rain 18	Miami	fair 27	Stockholm	fair 1
B. Aires	fair 21	Budapest	cloudy 4	Dubai	sun 22	Honolulu	fair 27	Milan	fair 9	Strasbourg	rain 6
B.ham	drzzl 10	C.hagen	fair 4	Dublin	rain 12	Istanbul	sun 9	Montreal	snow -6	Sydney	sun 25
Bangkok	fair 36	Cairo	sun 14	Dubrovnik	rain 11	Jakarta	thund 30	Moscow	snow -1	Tangier	sun 19
Barcelona	fair 14	Cape Town	sun 27	Edinburgh	rain 10	Jersey	cloudy 12	Munich	cloudy 6	Tel Aviv	fair 14
						Karachi	sun 27	Nairobi	sun 29	Tokyo	cloudy 9
						Kuwait	sun 16	Naples	shower 10	Toronto	cloudy 0
						L. Angeles	fair 18	Nassau	fair 27	Vancouver	cloudy 10
						Las Palmas	fair 22	New York	sun 9	Venice	cloudy 7
						Lima	fair 27	Nice	fair 15	Vienna	cloudy 5
						Lisbon	cloudy 16	Nicosia	fair 14	Warsaw	sleet 2
						London	cloudy 10	Oslo	fair 1	Washington	sun 12
						Lux.bourg	cloudy 3	Paris	cloudy 8	Wellington	cloudy 19
						Lyon	cloudy 5	Perth	sun 34	Winnipeg	cloudy -5
						Madeira	cloudy 18	Prague	rain 3	Zurich	cloudy 4

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday February 6 1997
Week 6

New force on Wall Street
The Morgan Stanley/Dean Witter merger

Feature, Page 15. Other reports, Page 20

IN BRIEF

Lufthansa to cut jobs in shake-up

Lufthansa, the German airline, is to restructure scheduled passenger services and cut jobs in a move to reduce costs. It said the shake-up was designed to prepare it for competition expected as a result of the impending liberalisation of air traffic in Europe. Management and administrative jobs would be cut by about 10 per cent. The shares gained 5.5 per cent to DM23.38 ($14.20). Page 18

Triplex admits defeat in bid battle
Triplex Lloyd acknowledged defeat in its battle to win control of William Cook, the steel castings group. Triplex said it was unable to raise its offer to beat the rival bid by the management buy-out team led by Andrew Cook, chairman and chief executive of William Cook. Page 22

Crédit Foncier gets breathing space
Shareholders in Crédit Foncier de France, the troubled property lender, granted the company breathing space until the end of next year to find a solution to its financial crisis at an extraordinary general meeting in Paris. Page 18

Sony sales up in third quarter
Sony, the Japanese consumer electronics group, reported a strong increase in sales and profits in the third quarter, helped by the yen's weakness against the dollar and buoyant sales of electronics products. Pre-tax profits nearly doubled to Y147.4bn ($1.2bn) Page 21

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	1067	+	21
Hoechst	71.40	+	2.25
Lahmeyer	580	+	9
Lufthansa	23.38	+	1.23
MAN	424	+	11
Metro AG	128.45	+	2.85
NEW YORK ($)			
Rises			
Airtouch	27¾	+	2⅛
BSkyB	61⅛	+	3½
Culligan Water	39½	+	2¾
Morgan Stanley	65	+	7¼
Falls			
Life RE	39⅝	-	2⅛
Paine Webber	35⅝	-	2⅜
LONDON (Pence)			
Rises			
BSkyB	623	+	30
3i	444	+	13½
MAID	188½	+	14
Iceman Ins	23	+	5½
Falls			
AS Intl	20	-	4
Lightfreight	58	-	15½
TORONTO (C$)			
Rises			
Colony Pac	8.00	+	0.85
Datamirror	8.20	+	1.40
Inex Pharm	8.25	+	0.75
Astroworks	12.75	+	1.45
Falls			
Hallmark Tech	10.00	-	1.00
Scorpion Min	5.30	-	0.50
PARIS (FFr)			
Rises			
Ch. Dior	898	+	24

Havas	449	+	17.80
Imetal	825	+	36
Suez	280	+	7.50
Technip	580	+	13
Falls			
Legrand	930	-	30
TOKYO (Yen)			
Rises			
Takken Corp	530	+	25
Falls			
Asahi Bank	814	-	29
Citizen Watch	840	-	42
Daiwa Bank	497	-	22
Noritake	801	-	29
Toppan Print	1380	-	50
HONG KONG (HK$)			
Rises			
CDL Hotels	4.60	+	0.15
China Motr Bus	91	+	3
First Pacific	10.70	+	0.15
Haaco	24.55	+	0.35
Falls			
Chinese Est H	8.60	-	0.10
Hysan Devl	28.20	-	0.30
BANGKOK (Baht)			
Rises			
Property Perf	31.75	+	2.75
Siam Syntech	28.50	+	2.50
Thaikee Ent	28.25	+	2.50
Falls			
Charan Ins	48.25	-	5.25
Krungthep	109.00	-	12.00
Securities One	83.50	-	7.00

New York & Toronto prices at 12.30

Finance minister steps in to restore market confidence

Japanese bank shares shaken by NCB plunge

By Gwen Robinson in Tokyo

Fears of a liquidity crisis at Nippon Credit Bank, one of Japan's top 20 banks, sparked sell-offs of bank shares on the Tokyo stock market and prompted Mr Hiroshi Mitsuzuka, the finance minister, to reassure investors that the bank's failure was "unthinkable".

The share price of NCB, the smallest of Japan's three long-term credit banks, plunged Y35 to Y181 yesterday, following reports of severe financial problems at the bank.

Bank officials last night denied the rumours, but acknowledged that NCB would have difficulty raising funds at the moment by issuing debentures, a key fundraising instrument for Japan's long-term credit banks.

One US financial analyst said: "If the bank tried to issue new paper today, it would not be able to do it at the current rates. This has become a confidence issue in NCB's name. People are beginning to doubt it's going to survive."

Mr Walter Altherr, banking analyst at Jardine Fleming Securities, commented: "NCB is in an extremely difficult situation. If you have to hold a press conference to announce your solvency, it's probably a little too late."

NCB intended to announce a restructuring plan, involving the sale of assets and refocusing of business, before issuing new paper, one senior bank official said.

"Some people are saying we can't pay back our liabilities. These rumours are untrue. NCB has sufficient liquidity on its balance sheet and money held in trust. We don't need to issue debentures for a couple of months if the market isn't responding correctly," he said.

Mr Shoji Nishikawa, NCB vice-president, said the bank was operating as usual with an ample supply of funds. He said even at current stock price levels NCB would be able to post profits for the current year to March 31 and that it would continue to dispose of Y1,300bn ($10.7bn) in non-performing loans as scheduled.

Mr Nishikawa added that the bank would proceed with the placement of February debentures as planned, but might curb the amount of the issue until the market "calms down".

However, financial analysts believe NCB's bad debt problems and financial difficulties are greater than the officially reported figure suggests.

NCB vice-president Shoji Nishikawa (front) tells a press conference yesterday that the bank has ample funds Reuter

The bank's dealings in property-related loans have left it with a heavier burden of bad debt than most other leading banks.

The latest reminder of NCB's problems emerged from reports this week of a crisis at Apollo Leasing, an independent credit company, which owed NCB Y69.3bn.

NCB's share price has fallen by about 60 per cent since late November. The decline accelerated in the past 10 days after Moody's, the US credit-rating agency, changed its outlook for NCB and three other Japanese banks from "stable" to "negative".

Moody's said the banks had "serious asset quality problems" and noted a shift in the attitude of Japan's financial authorities, from "one of forebearance and protection to one of resolution by liquidation".

Toshiba unit to end five years of losses

By William Dawkins in Tokyo

Toshiba, the Japanese conglomerate whose activities include consumer electronics and power engineering, yesterday said its consumer products division would break even in 1997 for the first time in five years.

Mr Taizo Nishimuro, group president, attributed the recovery to cost cutting, helped by the shift of manufacturing capacity to cheaper locations abroad.

Another boost came from the launch of new televisions and video cassette recorders.

Mr Nishimuro was "very confident" that after breaking even in the current year to March, the division would be profitable in the following 12 months.

Toshiba makes three-quarters of its televisions and 95 per cent of its VCRs outside Japan.

The consumer products division has long been Toshiba's weakest. Operating losses nearly tripled to Y29.4bn ($241m) on sales of Y1,305bn, in the year to March. In the previous 12 months, losses had been Y10.2bn on turnover of Y1,383bn.

Consumer products represented 24 per cent of the group's sales of Y5,120bn last year. Heavy electrical goods accounted for 22 per cent and information systems and electronic devices the majority at 54 per cent.

Mr Nishimuro predicted that information systems would be the fastest growing part of Toshiba's business, rising to 70 per cent of total sales by the end of the decade. Growth would be led by digital video disc players, which were selling "better than expected" since their launch in Japan last autumn.

He predicted that DVD sales would reach up to 3m in the current calendar year, split roughly equally between Japan, the US and Europe.

Within three to five years, DVD sales would equal sales of personal computers within Toshiba, with an accumulated total of 24m units sold by the end of the decade. That would give Toshiba an anticipated 20 per cent share of an accumulated world market of 120m units.

Of the world total, Mr Nishimuro expected that 80m units would be used in personal computers.

Toshiba was continuing the review of its business structure, launched shortly after Mr Nishimuro took office last June.

It also intended to form more joint ventures and alliances in areas where it could not be sufficiently competitive alone.

However, there were no plans to scale back heavy electrical products and consumer products, the two divisions where markets had become mature.

"We have a social responsibility to keep them," said Mr Nishimuro. The aim was to maintain those two divisions' profitability.

The group was cutting its spending on semiconductors by 20 per cent this year, but would continue to invest in that sector over the long term as a foundation for future sales growth.

BSkyB threat to scrap German satellite link-up

By Raymond Snoddy

British Sky Broadcasting, the satellite television venture, warned yesterday that it would not go ahead with a plan to take a 49 per cent stake in DF-1, the German digital satellite operator, unless "important issues" were resolved.

The warning comes nearly seven months after the announcement of BSkyB's strategic alliance with Kirch Gruppe, which runs DF-1. The sides have not signed a final agreement.

Mr Sam Chisholm, the BSkyB chief executive, said: "We have an agreement in Germany but there are some important issues that need to be resolved. Until they are resolved we cannot proceed." He declined to say what the issues were.

His comments came as BSkyB announced a 26 per cent increase in pre-tax profits to £134m for the six months to the end of December. Earnings per share rose 27 per cent to 7.1p. The interim dividend of 2.75p represents an increase of 10 per cent. Analysts are looking at £309m pre-tax profits for the full year.

Yesterday BSkyB shares continued the rise begun last week and put on 28p to close at 621p. The main outstanding issue between BSkyB and Kirch is believed to be the future of Premiere, the German pay-television channel with more than 1.5m subscribers.

It is owned by Kirch, Bertelsmann and Canal Plus of France. BSkyB wants to be part of Premiere and for the channel to be part of the DF-1 package.

There has been litigation between Kirch and Premiere over the rights to show the latest movies. BSkyB also wants to see the DF-1 package of channels carried on German cable systems. BSkyB, which last week announced that it had joined a consortium applying to run digital terrestrial television in the UK, said it had enjoyed record subscriber growth of 434,000 in the final quarter of 1996 – a boost that had taken total subscribers in the UK and Ireland to more than 6m.

Most of the 434,000 new subscribers in the final quarter came through cable. Despite £20m spent on a scheme to give free satellite systems to people spending £300 at a number of consumer electronic chains, new dish subscribers for the quarter totalled 147,000. BSkyB also said the placing of orders for up to 1m digital satellite decoders with up to four manufacturers was now "imminent". Negotiations, Mr Chisholm said, had now reached a very delicate stage.

On Tuesday the BSkyB board took the formal decision to go ahead with 200 channels of television to be launched before the end of this year.

Despite the investment in the digital terrestrial (DTT) venture, British Digital Broadcasting, Mr Chisholm said he saw digital satellite as the driver of multi-channel television because of the choice it could offer.

UBS ambitions hit as head of global fixed income resigns

By William Lewis
Investment Correspondent

Union Bank of Switzerland suffered a setback yesterday in its efforts to become one of the world's leading investment banks when its global head of fixed income resigned unexpectedly.

Mr Richard Briance, who became global head of fixed income for UBS in January 1996, resigned after apparent differences over strategy with Mr Hans-Peter Bauer, who is the global head of fixed income and derivatives.

UBS said: "Richard has done a tremendous job for the bank over the past year. He has successfully restructured the global fixed income securities business. He will be greatly missed." Mr Briance will leave UBS tomorrow. Over the past year Mr Briance, 43, has overseen the recruitment by UBS of some of the fixed income industry's best known figures such as Mr Daniel Canal, who joined in July from Chase Manhattan, and Mr Michael Hutchins who joined in April from Salomon Brothers.

Mr John Costas, who joined UBS in March from CS First Boston where he had been co-head of the firm's global-bond business, is thought to be the leading candidate to take over from Mr Briance.

Fixed income has become one of the most competitive areas for investment banks which are looking for company clients to commission them to finance deals put together by their corporate finance departments.

In July BZW, the investment bank of the Barclays group, appointed Mr Robert Diamond as chief executive of its global markets division in an attempt to boost its global fixed income business.

In October, Mr Briance helped Stagecoach, the rapidly expanding bus and rail group, to become the first publicly quoted company in the UK to fund a large acquisition by transforming corporate debt into bonds for sale to international investors.

The £545m bond transaction helped finance Stagecoach's purchase of Porterbrook Leasing, the rolling-stock company.

UBS is thought to have received record revenues from fixed income last month.

Monster eats into Mattel profit

By Richard Tomkins in New York

The Snacktime Kids, those toys that turned into monsters by eating children's hair, ate into fourth quarter profits of Mattel, their US maker, the company reported yesterday.

But Tyco Toys, another US toymaker with which Mattel is planning to merge, had better luck with Tickle Me Elmo, the furry puppet that became the must-have toy at Christmas. The product increased sales and helped cut Tyco's losses.

Mattel launched the Snacktime Kids last year. A battery-operated mechanism in the toy's mouth was supposed to eat plastic food supplied with the dolls.

However, after complaints that the dolls were trying to supplement their diet with children's hair and fingers, Mattel volunteered to buy back all 500,000 Snacktime Kids at $40 a doll and to clear the shelves of the remaining 200,000 dolls.

Yesterday Mattel said the move had cost it $10m in sales and $8m in after-tax earnings in the fourth quarter. It took an after-tax charge of $15.1m after yielding to the Securities and Exchange Commission in a dispute over Mattel's method of accounting for certain royalties and other fees.

As a result, net profits rose only slightly from $112m to $113.5m on a 4 per cent increase in sales to $1.2bn. Mattel said without the non-recurring items, net profits would have risen 22 per cent, helped by a 20 per cent surge in worldwide sales of Barbie dolls and accessories.

Mattel and Tyco are the biggest and third biggest US toy manufacturers. Mattel, spurned in a $5.2bn takeover bid for the number two toymaker Hasbro last year, is paying $755m for Tyco in stock.

Tyco said yesterday fourth quarter sales had risen by 6 per cent to $228.2m, helped by the popularity of the Tickle Me Elmo doll and knock-on increases in other Sesame Street characters.

In spite of a $7m after-tax charge for expenses relating to the merger, fourth quarter net losses fell from $18.1m to $10.2m. Tyco's shareholders are due to vote on the merger on March 18.

Breathing space for Crédit Foncier

By Andrew Jack in Paris

Shareholders in Crédit Foncier de France, the troubled property lender, yesterday formally granted the company breathing space until the end of next year to find a solution to its financial crisis.

They approved a series of modifications to the company's statutes, including reducing the number of directors to as few as three, and holding annual board meetings only when deemed necessary.

The votes came at an extraordinary general meeting in Paris, which was forced, under French law, by losses in 1995 of FFr10.8bn (US$1.9bn).

These cut heavily into shareholders' equity and brought the company close to bankruptcy.

The decisions were reached almost unanimously – with between 97 per cent and 99 per cent endorsing the six resolutions – because nearly all the shares are now held indirectly by the French state, which took over the previously quoted institution for FFr2.7bn late last year.

Mr Jérôme Meyssonnier, the state-appointed "governor", or chairman, told shareholders that the bank's survival depended on three factors: new equity, an external financial partner to improve its credit rating and permit it to borrow, and a "profound restructuring", which would entail heavy job losses.

Mr Jean Arthuis, the finance and economics minister, has ruled out a recapitalisation by the government. However, he remains open to discussions with potential partners.

So far, he says, the only solution involves transferring some of its operations to the rival mutual lender Crédit Immobilier de France.

Yesterday's meeting came against a backdrop of growing social tensions, triggered by the likely break-up of Crédit Foncier. Hundreds of employees chanted outside the hotel where the meeting was held, in the latest of a series of demonstrations.

Mr Meyssonnier and other senior executives were held hostage for six days last month, when employees started an occupation of the Paris headquarters that is still continuing.

In the absence of an external partner, Crédit Foncier remains dangerously close to bankruptcy. It is below the normal regulatory minimum solvency margin for a bank to continue to operate.

Mr Meyssonnier yesterday rejected criticisms that he had precipitated the crisis by announcing provisions of FFr13.6bn for 1995, saying they were necessary in part because of the group's high levels of debt.

Lufthansa to cut jobs in shake-up

By Andrew Fisher in Frankfurt

Lufthansa, the German airline, is to restructure scheduled passenger services and cut jobs in a move to reduce costs.

It said yesterday the shake-up was designed to prepare it for competition expected as a result of the impending liberalisation of air traffic in Europe.

Analysts welcomed the move, which they regarded as a further step in the airline's efforts to improve its efficiency in the face of tough international competition. The shares gained 5.5 per cent to DM23.38.

Lufthansa said the restructuring – part of a programme under which cargo, catering, maintenance and other operations have been put into separate subsidiaries – would flatten the management hierarchy and cut management and administrative jobs by about 10 per cent.

The new passenger division, employing about 26,000, will include such activities as sales and marketing, network management, flight operations, cabin and cockpit crews and ground operations. Currently handled by two divisions of the group management board, these will be managed in future by an executive board reporting to the main board.

The airline said this streamlining would put it closer to the market and increase flexibility. The formation of the new division is dependent on the approval of the supervisory board, which next meets in mid-March.

Mr Michael Klein, analyst at Delbrück, the Frankfurt bank, said the move was "basically positive" but would not be enough on its own to combat the competition from lower-cost UK and other airlines once the European Union air traffic market is liberalised on April 1.

Lufthansa is not making the passenger business into a separate subsidiary. This is because its airport landing rights are vested with the parent company. Putting the assets of the new passenger division into a separate subsidiary would also create tax problems.

Mr Charles Donald, airline analyst at UBS Global Research in London, said the restructuring would enable Lufthansa to save on the overlapping of some functions.

"It will result in a much more aggressive management style," he said. "It demonstrates that Lufthansa is finally getting a firmer grip on its operations."

He said setting up a new division would not do much to counter the impact of EU liberalisation. He thought this had been mentioned by Lufthansa to help mollify the workforce, part of which has been ballotted this week on possible strike action over pay.

Daewoo puts steel in Polish football

Daewoo, the Korean industrial conglomerate, has taken a strategic stake in Legia, a leading Polish football club, writes Christopher Bobinski in Warsaw.

The investment could help establish professional standards in a local game where the finances are opaque, the play mediocre and talented players are speedily sold to western European clubs.

Last year Legia reached the quarter-finals of the European champions' league, and it regularly tops the Polish league.

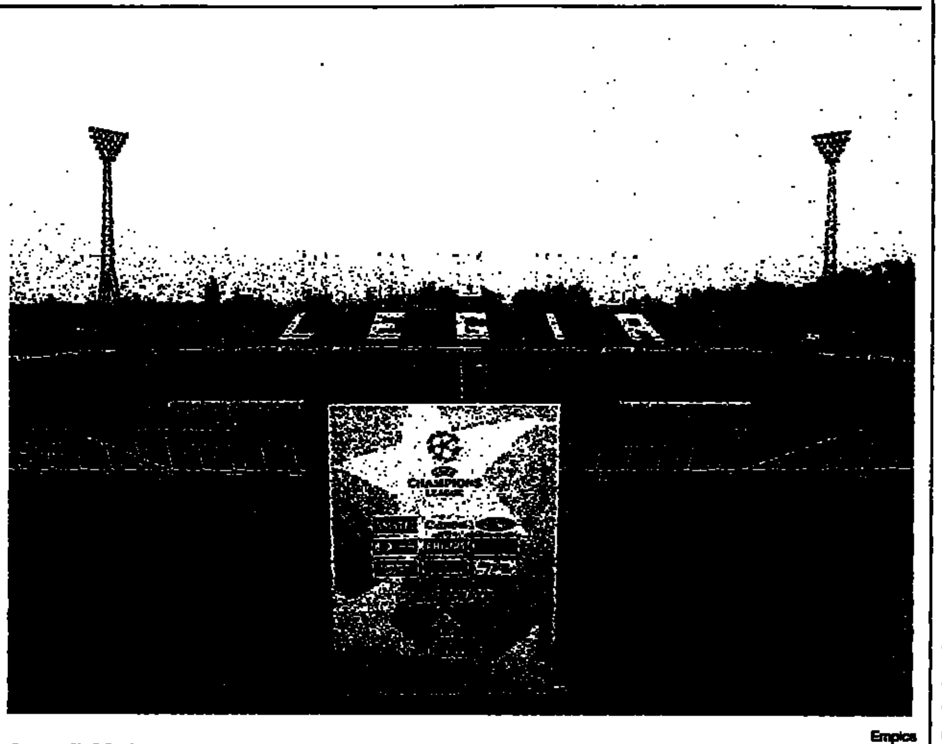
Mr Kim Woo Choong, head of Daewoo, says he wants to build Legia into a European-class club.

Daewoo's move was made possible by reforms in the Polish league, under which the 30-plus first and second division clubs must transform themselves into joint stock companies. To date, four have done so, including Legia.

The reform offers the prospect of stock market listings for the clubs, once they put their finances in order and earnings rise with attendances.

Daewoo – which owns the Warsaw FSO car factory, Legia's former sponsor – is reported to have already invested 5m zlotys ($1.67m) in the club. It now has 30 per cent of the new Legia company with another 30 per cent held by Polmot, one of Daewoo's local dealers.

The remaining equity is retained by the military, which founded the club.



Empics

Greenfield site: Daewoo has taken a 30 per cent stake in Legia Warsaw, a top Polish club

SPT opens line to Czech phone profits

Efficiency has replaced death in cutting queues for connection, says Vincent Boland

When the number-crunchers at SPT Telecom finally got to grips last year with the Czech operator's waiting list, they came across an application for a telephone that had been submitted in 1927. Checking further, they discovered the applicant was dead.

The exhumation of the waiting list, a priority when the company was partly sold in 1995 to the Dutch/Swiss consortium TelSource, has been completed. SPT says the days when Czechs dropped dead in the queue for a phone are now over. Last year the number of people waiting for a telephone line fell for the first time in 10 years.

More than 88 per cent of all applications submitted before the end of 1990 – including many from the 1950s – were met last year, with 417,000 new lines added to SPT's network. "That is more than Holland and Switzerland put together," says Mr Bessel Kok, deputy general manager of SPT and head of TelSource, which groups PTT Telecom Netherlands and Swiss Telecom. It is also more lines than SPT installed in the whole of the 1980s.

The recent expansion has increased the density of telephone lines in the Czech Republic from 23 per hundred people to 27. SPT also received 380,000 new requests but reduced the overall waiting list from 650,000 to 623,000 at the end of the year. This year it expects to install 470,000 lines.

It still takes two years to have one installed, but that is less than half the time it took a year ago and the goal is to eliminate the entire waiting list in 1998. This will mean that from 1999 an applicant will have a phone installed within three months of the request, while business customers will have to wait no longer than one month. That is an age by US standards, but in the Czech Republic it is considerable progress.

Apart from its fixed-line operations, the company's mobile telephone subsidiary, EuroTel, which it owns jointly with Bell Atlantic and US West, is trouncing its only rival, the Deutsche Telekom-run Radiomobil, in the race for market share. EuroTel has more than 100,000 customers after six months of operations, compared with Radiomobil's 35,000, in the market for digital mobile telephones.

EuroTel had a head start on Radiomobil, because it has been offering analogue mobile services since 1991, while its competitor entered the market early last year. Bureaucratic delays involved in getting permits to build transmission sites have also severely restricted Radiomobil's expansion.

SPT therefore had a good 1996, as executives were at pains to point out this week as they seek to shed its image as the Czech Republic's most detested company. As well as being more responsive to demand for new phones, it recently launched a slick advertising campaign to win friends with the theme "Forget the past, look to the future."

Last year was the first full year under the day-to-day control of TelSource, which paid $1.4bn for a 27 per cent stake in mid-1995 at the high point of the Czech privatisation process. The deal was the catalyst for a modernisation programme, likely to cost about $4.5bn by the end of the decade, to take Czech telecoms into the 21st century. This year, for example, it will spend Kc32bn ($1.15bn) on modernisation.

Analysts agree that the immediate future for SPT is rosy, because it is a monopoly and has a captive market with pent-up demand. These factors are expected to contribute to solid revenue and earnings growth until at least the end of the decade, when its monopoly of long-distance and international services, which provide the backbone of its operations, is due to end.

Sustained growth, however, is dependent on the expansion of the Czech economy. Growth in Czech GDP actually fell in 1996, to 4.1 per cent from 4.8 per cent in 1995, and this year it is unlikely to expand much because of the slow pace of industrial restructuring and poor export growth. The Czech Statistics Office recently cut its 1997 growth forecast from 5.1-5.6 per cent to 4-5 per cent.

At the same time, prospective competitors are already eagerly anticipating the end of SPT's monopoly. Local cable and telecoms groups, which opposed the alliance with TelSource, are pushing to open up the market sooner than 2001, and are talking with utility companies about joint ventures to provide alternative services to SPT.

There is also some unfinished business relating to the alliance between SPT and TelSource, which is being challenged in the courts by a small group of shareholders who argue that the sale of the stake was mishandled. Last year they secured a judgment in their favour relating to administrative "mistakes" in the sale, and they are continuing a legal campaign to have the alliance overturned. The next round is due in April.

Few see any real threat to the alliance from the court case, however, and the government has made clear there is no threat to the SPT/TelSource partnership.

Mr Kok admits the continuing wrangle is an irritant, but insists it does not affect the day-to-day running of the company.

Making connections

Telephone density	Lines per 100 people
1991	16.6
1992	17.7
1993	19.0
1994	20.7
1995	23.3
1996	27.3

SPT Telecom: Ownership	%
Czech National Property Fund (state holding co)	51
TelSource	27
Investment funds, individuals others,	22

Source - SPT Telecom

EUROPEAN NEWS DIGEST

Hayfever drug sales lift UCB

Stronger than expected sales of hayfever drug Zyrtec helped UCB, the Belgian pharmaceuticals, chemicals and films group, lift pre-tax profits for 1996 by about 30 per cent, from BFr4.2bn to BFr5.5bn ($163m). The result was towards the top of analysts' forecasts.

Preliminary unaudited figures released yesterday – ahead of the formal results on April 11 – showed group turnover slightly down at BFr50bn. This was mainly because of last year's sale of UCB's packaging division to Amcor of Australia. The packaging business previously accounted for annual sales of BFr10bn. Best performer was the pharmaceuticals division, where operating profits increased from BFr2.7bn to BFr3.4bn, on turnover up from BFr18.7bn to BFr21bn, thanks largely to higher sales of the group's flagship drug, Zyrtec. Sales of the drug in the US, where it was introduced last February, reached $140m – well ahead of UCB's own forecast of $120m. UCB is expanding its sales force in the US to meet the orders for Zyrtec.

In the chemicals sector, profits grew from BFr1.2bn to BFr1.4bn, on sales which increased from BFr17bn to BFr19bn. The group said the division's performance had improved in the second half-year, after the general European slowdown in the first half.

The films sector lifted profits from BFr320m to BFr600m, on sales which – stripping out the sale of the packaging business – increased about 40 per cent to BFr10bn. Polypropylene films enjoyed strong growth thanks to new applications developed by the group, including their use in plasticised bank notes, already in circulation in Australia.

Other activities produced profits of about BFr100m. Exceptional gains on the sale of a financial holding and the packaging business were largely offset by restructuring costs. The after-tax profit is expected to be just under BFr6bn. *Neil Buckley, Brussels*

New board at Ciba Specialty

Ciba Specialty Chemicals, which makes its debut on the Swiss Stock exchange next month, has opted not to appoint any representatives of Switzerland's big three banks to its board in an attempt to avoid conflicts of interest.

The Basle-based group, which is being spun off from Novartis, the big Swiss pharmaceuticals group formed from December's merger of Sandoz and Ciba, yesterday announced its new corporate identity and its board of directors. The company has broken with tradition by appointing a board which is small by Swiss standards and, unusually, has no full-time representatives of the big Swiss banks.

Ciba Specialty Chemicals also announced yesterday it would raise about SFr700m ($490m) from its shareholders in the form of a one-for-one rights issue to current Novartis shareholders, at the nominal share price of SFr10.

The price of shares in a global share offering will be announced later, but analysts calculate that a minimum of SFr300m will be raised. *William Hall, Zurich*

Spanish drug groups merge

The wave of mergers in the pharmaceuticals sector has spread to Spain, where two of the leading privately owned companies plan to form what they say will be the country's largest group in the sector.

Almirall, which has ties with Merck, Rhône Poulenc Rorer and Dainippon, has agreed to merge its activities with those of Prodesfarma, another producer based in the Barcelona region. The operation will be carried out through a joint company called AP Farma. The merged group is looking to develop research activities and its presence outside Spain, where the companies now have a market share of about 7 per cent between them. The combined group is expected to have total sales of Pta76bn ($550m) this year, including Pta23bn abroad.

The two companies said the merger would not involve any cutbacks in their combined workforce of 1,800. The move was designed as a vehicle for international expansion based on the companies' own products, such as Almax, an antacid drug made by Almirall, and Airtal, an anti-inflammatory developed by Prodesfarma. *David White, Madrid*

New Telekom, Netscape link

Deutsche Telekom has expanded its agreement with US Internet software group Netscape on distribution, marketing and system integration of Intranet and Extranet solutions. The move will allow Deutsche Telekom to expand its range of turnkey solutions for corporate networks.

The existing partnership with Netscape, formed in 1995, will now cover the complete Netscape product range. Under the terms of the contract, Deutsche Telekom will distribute the full range of Netscape client and server products to end-users, content providers, Internet service providers and corporate customers. Deutsche Telekom's T-Online unit has about 1.4m subscribers after 40 per cent growth in 1996. This makes T-Online the largest European internet access provider. *AFX, Bonn*

Krupp to modernise plant

Krupp Hoesch Stahl, the German steel group, plans to spend DM660m ($479m)between 1997 and 1999 to modernise its Dortmund-based steel making facilities. The company is looking to cut costs to the levels of European competitors.

The so-called "optimisation programme", which will involve 2,200 job losses, was chosen over a DM1.2bn replacement of the existing plant with a state-of-the-art steelworks. This would have cost a further 500 jobs. The decision, announced yesterday, was met with demonstrations in Dortmund and a 24-hour strike by 1,500 workers at the company's Siegerland plant. *Peter Norman, Bonn*

Neste quiet on Borealis stake

Neste, the Finnish oil and petrochemicals group, yesterday declined comment on a report that the International Petroleum Investment Company of Abu Dhabi is set to acquire its 50 per cent stake in Borealis, the chemicals and polyolefins group. The Finnish company has been looking for a buyer for its stake in Borealis – jointly owned with Norway's Statoil – which has been hit recently by a steep fall in polyolefins prices.

Mr Jukka Viinanen, chief executive, said Neste was in talks with "potential buyers", but said he could not confirm a report in the government-owned Emirates News that IPIC was close to agreement on buying out Neste's stake. IPIC is a wholly owned subsidiary of the state-owned Abu Dhabi National Oil Company. *Hugh Carnegy, Stockholm*

Grundig denies insolvency threat

Grundig, the German electronics company partly owned by Philips of the Netherlands, yesterday denied reports it was facing insolvency. It said it had adequate liquidity and financial reserves for this year and was talking to its banks about medium-term financing. Last year Grundig posted a DM350m ($213m) loss, down from DM598m in 1995.

To stem the drain on its resources, Philips last month said it was cutting managerial links with Grundig; of which it holds 32 per cent. Grundig has retained Credit Suisse First Boston, the investment bank, to find a new partner. Philips is also trying to end a contract with Grundig heirs obliging it to pay DM45m a year into a family foundation. *Andrew Fisher, Frankfurt*

COMPANIES AND FINANCE: EUROPE / MIDDLE EAST

Euro Disney director goes in reshuffle

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, yesterday announced the abrupt departure of one of its top executives as part of a reshuffle of senior jobs.

Mr Xavier de Mézerac, finance director, had "decided to explore career opportunities outside the company", it said.

Mr Gilles Pélisson, president and chief operating officer, will temporarily oversee the financial direction of the company.

Euro Disney said the departure had been "by mutual agreement" and stressed the change came at a time of operational restructuring. It said Mr Philippe Bourguignon, chairman, had always been closely involved in financial management.

Mr de Mézerac joined Euro Disney in 1992 and was finance director from 1994, shortly after the financial restructuring at the company.

Following the recent reshuffle, Mr Marc Robino has been hired from Novotel, part of the Accor group, as director for restaurants. Mr Christian Perdrier, previously in charge of hotels at Euro Disney, becomes senior president for operations.

Mr Jeffrey Archambault will be director of special projects and Support 2000, which is designed to review administrative operations.

The company said the changes reflected its policy of shifting from a management structure based around its various attractions – the park, hotels and "festival" site – to one based around functions, such as shop and restaurant operations.

Separately yesterday, Euro Disney distributed copies of its 1996 annual report, which highlighted a series of corporate governance initiatives in line with reforms taking place across French companies.

It said the supervisory board had approved a charter defining its responsibilities, including a directive that directors should not sit on large numbers of other boards, which would dilute the time and energy they could give to the company.

Each director will be required to hold a minimum of 1,000 shares in Euro Disney, and "an important" proportion of the annual payments they receive – which rose in total from FFr950,000 ($171,000) in the previous year to FFr1.35m – will depend on attendance at board meetings.

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OMV up 32% on higher oil prices

By Eric Frey in Vienna

Pre-tax earnings at OMV, the Austrian oil and gas group, jumped 32 per cent last year because of higher oil prices and positive results from all divisions.

However, the increase in net income was affected by a change in Austrian tax laws, which barred the company from deducting carried-forward losses from its 1996 and 1997 tax bills, OMV said yesterday.

Earnings before interest and tax rose from Sch2.19bn to a preliminary Sch2.9bn ($251m), while net profit climbed about 10 per cent from Sch.1.73bn to an estimated Sch1.9bn. The clause in the tax law, which is part of the 1996 austerity budget agreement, permits OMV to include carried forward losses again in its 1998 tax bill.

Operating profit was up 39 per cent from Sch2.09bn to Sch2.9bn last year, and the company lifted its 1996 dividend from Sch20 to Sch23 a share.

OMV's record results exceeded analysts' earlier predictions of pre-tax earnings of about Sch2.5bn. Its shares rose on the Vienna bourse after the announcement, but fell back later to close at Sch1322.90, down Sch6.60.

Mr Richard Schenz, OMV chairman, expected earnings to remain roughly stable this year, subject to oil price and dollar fluctuations. Most of OMV's profit rise in recent years had come from cost reductions in all divisions. "Cost adjustment remains our permanent task," he said.

The natural gas division, which posted steady earnings, again made the biggest contribution to group profits last year, the company said. Higher oil prices, especially in the fourth quarter, helped the oil exploration and production lines to return to profit after a loss in 1995.

OMV was also satisfied with the performance of its petrol station network in neighbouring countries. In Austria, however, petrol retailing suffered from higher taxes and restructuring costs from station closures.

The chemicals division posted a profit amid higher prices for plastics and chemical products.

Mr Schenz said OMV had cancelled talks with Repsol, of Spain, on setting up a joint venture with its chemicals unit PCD, because the two groups could not agree on a solution for the polyolefins sector.

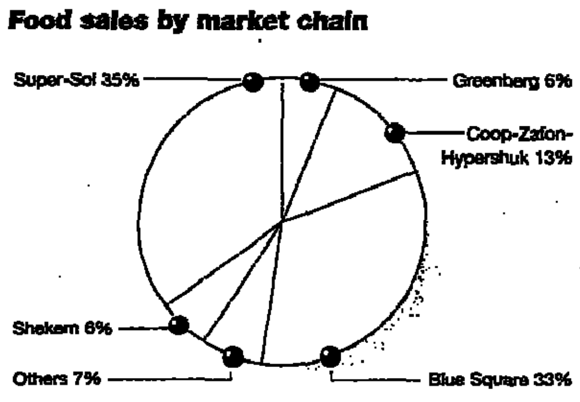
Instead, OMV would double capital spending on PCD's facilities to secure its survival.

Food for thought for Israeli retailers

Consumption is growing fast, but the market is likely to remain a duopoly

These are heady times for Israel's food retailers. Food sales in the large retail stores increased 16 per cent last year to about Shk25bn ($7.5bn). And growth prospects for 1997 look just as good in spite of the slowdown in the economy, where gross domestic product growth will slow from 4.4 per cent in 1996 to less than 3.3 per cent this year.

Food sales by market chain



Source: UBS Global Research

The reason for the optimism is the population. During the next few years it is expected to grow at an annual rate of 2.5 per cent, which means the 1.9 per cent expected annual rise in per-capita food consumption will represent a 4.4 per cent real increase.

This will establish Israel's reputation as one of the fastest growing areas in the global retail industry. Between 1990 and 1995, private consumption grew at an annual compound rate of 20.1 per cent, fuelled by the immigration to Israel of nearly 1m Russians, higher income levels and a change in consumer habits. Over the same period, food and beverage consumption grew at an annual compound rate of 17.6 per cent.

Yet analysts still believe that the market is far from saturated.

"It remains a very attractive sector," said Ms Elise Horowitz, analyst at Lehman Brothers, the investment bankers.

"The organised [supermarket] retail food market is projected to grow from its current level of 40 per cent to an estimated 56 per cent in the coming years. There is still a lot of growth potential," she says.

Organised retail food chains account for 56 per cent of the food market in western Europe and 75 per cent in the US.

Israel's organised food chains are dominated by Blue Square, listed last year in New York, and Supersol, owned by a group of private Israeli investment companies, including the Recanati family.

Each already holds a market share of about 35 per cent in the supermarket sector, which accounts for 32 per cent of Israel's total food consumption. And both groups are looking to increase their share of the organised retail food market through a two-pronged strategy of high investments and targeting the hitherto neglected ultra-Orthodox Jewish community.

Blue Square, for example, plans to invest more than $100m this year, following an investment of between $60m and $70m last year. "We are planning to open new stores, improve logistics and introduce new product lines," says Mr Yaakov Gelbard, Blue Square chairman. Consolidated sales for last year are expected to reach Shk3.7bn.

Supersol – which earlier this week received the go-ahead from the antitrust authorities to acquire Shekem, the third-largest supermarket chain which has a 6 per cent market share – is planning a massive investment programme.

Between 1997 and 2000, it will invest Shk200m a year opening new stores, renovating existing stock and acquiring real estate for developing new shopping malls and commercial centres. Consolidated sales for last year are expected to reach Shk3.2bn.

Both groups have begun to target the ultra-Orthodox Jewish community, which makes up about 10 per cent of the population.

Blue Square has set up Shefa Mehadrin, a chain of food stores that will cater for very defined groups of Orthodox Jews wanting specific kosher certification on food products.

Supersol has recently established the Birkat Rachel chain which caters to the ultra-religious Orthodox community. "This sector can be no longer ignored," says Mr Daniel Carasso, analyst at UBS Global Research.

Yet however much the Israeli food retailing sector is set to grow in the coming years, it will remain a duopoly, dominated by Blue Square and Supersol, and an elusive market for European and US food chains.

"This is because there are hidden entry barriers to the Israeli retailing market," Mr Carasso explains. "One of the main ones is the religious barrier. It is easy to forget that Israeli eating habits are very different to those of the rest of the world. Product has to be prepared for this market."

Mr Carasso believes this is why international food manufacturers have stayed out of the market, tending to license their products to local suppliers.

"For the international food fraternity, the cost of developing a new subsidiary with its own buying arrangements is prohibitive, especially as this product sourcing is of absolutely no relevance to the surrounding markets/countries," Mr Carasso argues.

Yet some non-Israeli retailers – most notably Nestlé, the Swiss food producer, and Danone, the French food group, have recently entered the Israeli market.

Danone has bought a 20 per cent stake in Strauss, the Israeli dairy product group.

"We are not strong in this part of the world and we really think that Israel is a good place to begin building the brand of Danone," says Mr Frank Riboud, managing director of Danone.

That will be a long haul given the religious barriers. And even if non-Israeli retailers want to use Israel as a stepping stone to the rest of the Middle East, they will find there a food retailing sector far less developed compared with Israel's and an economy with a gross domestic product at least ten times lower than Israel's.

"It is early days yet to talk about Israel being some sort of hub," says Ms Horowitz, at Lehman.

That means Blue Square and Supersol will continue to enjoy an unassailable position for some time to come.

Judy Dempsey

Gucci takes over Italian franchisee

By Alice Rawsthorn

Gucci, the Italian luxury goods group, is expanding its retail operations by taking control of Gucci Venezia, which operates five franchised Gucci boutiques in Italy, including the Venice flagship store.

The deal, in which Gucci will pay an undisclosed sum for a majority stake in the business, follows the opening of its first Chinese stores in Beijing and Shanghai last weekend. Gucci will open its first free-standing Japanese boutique in Osaka next month, and is searching for sites for two flagship stores in Tokyo.

Mr Domenico De Sole, president, said the Gucci Venezia transaction formed part of its efforts to operate its stores directly, rather than through franchises. "We really believe that franchised businesses can benefit from our merchandising strength," he said.

Gucci Venezia is one of the group's larger franchised operations, with boutiques in Treviso, Padova, Verona and Venice. After the deal, Gucci will operate 76 stores directly, leaving 77 under the control of franchisees.

The Venezia acquisition, coupled with last weekend's store openings in China, marks the start of an aggressive expansion programme involving 20 new store openings this year.

After a troubled period in the 1980s, Gucci has become one of the hottest fashion labels of the 1990s under Mr Tom Ford, its young Texan chief designer. It has scheduled store openings for Germany, Hong Kong and the former Soviet Union, as well as Japan, by the end of 1996.

Gucci is also refurbishing existing boutiques, starting with the opening of an expanded store on London's Sloane Street in August, followed by the redesign of its Beverly Hills boutique.

Mr De Sole also aims to expand Gucci's product range, notably in luggage, gifts and homeware, which currently represent a small percentage of sales.

Morgan Stanley and Dean Witter Discover present their merger as one of equals

Former McKinsey man heads the bill

There was plenty of symbolism in the way Dean Witter Discover and Morgan Stanley chose to present their merger yesterday – and in the management structure they have set up for their enlarged group. But there was little doubt it will be Mr Philip Purcell, a former McKinsey management consultant, who will be running the show.

Sitting sandwiched between Mr Richard Fisher, Morgan Stanley chairman and chief executive, and Mr John Mack, its president and chief operating officer, Mr Purcell was at pains to represent the deal as a merger of equals.

With exaggerated familiarity, he lent over to put his hand on Mr Mack's arm – while pledging the two would form a double-act to rival the successful teamwork of Mr Mack and Mr Fisher. The two Morgan Stanley bankers, as if on cue, pulled their own Discover cards from their wallets – though this is a credit card brand seldom seen on Wall Street, having built its business through an appeal to a more down-scale mass market.

However, the first test of this new relationship, as both sides acknowledged, will be the relationship between Mr Mack and Mr Purcell. And it is Mr Purcell – a former consultant who built up the financial services business while an executive at its former parent, Sears – who will hold the titles of chairman and chief executive officer.

He will be surrounded by Morgan Stanley executives, with Mr Mack serving as president and chief operating officer and Mr Phil Duff acting as chief financial officer.

Mr Fisher, one of Wall Street's most diplomatic investment bankers, has adopted the role of elder statesman, taking on the title of chairman of the new group's board-level executive committee. Symbolically, each side will have seven seats on the board.

If they can fit their two businesses together smoothly, it will be a formidable force in the US financial services business. Combined, the two will have a capital base of about $10.5bn – far bigger than the $6bn of Merrill Lynch, which is widely acknowledged as having created the most successful full-scale securities and investment banking concern on Wall Street.

It will also have a far more diversified range of businesses than many others in the industry, potentially giving it greater stability as it seems to grow faster outside the US.

The steady stream of earnings form Dean Witter's credit cards and fund management businesses have already assured its stock a higher rating on Wall Street than Morgan Stanley, whose earnings are dependent on more volatile trading and investment banking businesses.

Of their combined $12bn of revenues last year, $2.9bn came from the Discover card and other credit services businesses, and $1.7bn from the combined asset management operations of the two businesses. They also generated $1.6bn of commissions between them and $2.3bn of investment banking revenues.

Richard Waters

Discover card is icing on the merger cake

Quirky advertising means the Discover card is already widely recognised

The fourth-largest US credit card brand has a new owner as a result of the Merger of Morgan Stanley-Dean Witter Discover merger.

The Discover card, owned by Dean Witter Discover, has logged steady growth over the past few years, mostly at the expense of American Express, although it may also have cost MasterCard some customers.

From 1990 to 1996, it managed a steady but significant increase in its share of US credit card transaction volume from 4.9 per cent to 6.8 per cent. American Express currently holds 15.9 per cent.

Like the rest of the US credit card industry, it has been affected by the high rate of personal bankruptcies, with bad debt write-offs running at 6.1 per cent for the fourth quarter of last year, and 5.4 per cent for 1996 as a whole. Both figures are roughly in line with the industry.

However, its total credit card managed loans increased from $23.96bn to $29.02bn during the year. Its quirky advertising, emphasising its detailed service and documentation, means it is already well recognised.

Analysts like the fact that it has the advantage of owning its own large volume payment network, and therefore does not have to pay fees to the Visa or MasterCard networks.

The Discover card is also being used as the flagship for a multiple-brand card strategy, based on its proprietary Novus merchant network, and this should allow the company to gain additional benefits of scale.

Like American Express, however, the rules of the Visa and MasterCard banking associations form a barrier to further expansion.

The associations bar member banks from offering either American Express or Discover cards, although these rules are currently being investigated by the US Justice department.

The company has ambitions to expand further, and is now a part owner of Mondex USA, a leading developer of "smart cards" and advanced electronic payment systems.

John Authers

Cisco's results fail to impress Wall St

By Louise Kehoe

Cisco Systems calmed Wall Street fears of slowing growth in the market for data communications networking equipment by reporting a 73 per cent rise in sales for its second fiscal quarter, ended January 25.

Cisco, the dominant supplier of networking equipment – the "plumbing" of the Internet and private computer networks – reported revenues of $1.59bn, up from $918.5m in the same period a year ago. Net income was $338.5m, or 49 cents a share, against $209.7m, or 31 cents, for the second quarter of 1996.

Excluding two special items related to acquisitions, Cisco had net income of 51 cents a share for the quarter, slightly above Wall Street estimates of 50 cents.

However, investors remain nervous about the market for networking equipment and Cisco's shares were down yesterday. In mid-session Cisco was trading at $64⅝, down $2⅝ from Tuesday's close. Worries that Cisco's results might not meet expectations had also dragged down shares of competitors, such as 3Com and Bay Networks, on Tuesday.

Concerns about slowing growth in the networking equipment market were unfounded, said Mr John Chambers, Cisco president and chief executive. The market would continue to grow at about 30-50 per cent a year, driven by rapid growth of the Internet and private intranets, he said.

Mr Chambers acknowledged that Wall Street was "skittish" about rapid consolidation in the sector. Cisco, the market leader, was itself planning "10 or 12" acquisitions in this calendar year, he said.

As the industry consolidates, "there will be winners and losers and bigger discrepancies [in the financial performance of companies]", Mr Chambers said. "The [stock] market likes predictability, and in this sector we expect to see greater volatility."

Analysts had expressed concerns about Cisco's $4bn acquisition of Stratacom last year. Mr Chambers said, however, Stratacom had booked orders worth $160m in the second quarter, up from a run rate of $90m-$100m last year.

For the year to date, Cisco reported net income of $519.4m, or 76 cents a share, on revenues of $3.03bn. In the year-ago period net income was $391.1m, or 59 cents, on revenues of $1.72bn.

Apple chief steels himself for tough time

By Louise Kehoe in San Francisco

With shares of Apple Computer trading near a 10-year low of about $15, Mr Gil Amelio, chairman and chief executive, yesterday prepared for what promised to be a challenging annual shareholder meeting.

On the eve of the meeting he announced plans to "streamline" Apple's operations and made several management changes. He said the restructuring would involve the "elimination of programmes and positions" but did not make specific expenditure cuts.

The announcement, timed to placate shareholders, could backfire if investors become impatient with the lack of details. Apple employees, many of whom are shareholders and typically attend the annual meeting, may also be restive amid speculative reports of large-scale job cuts.

The mood at this year's meeting is unlikely, however, to match the tension of a year ago, days before Mr Amelio joined the troubled US personal computer company.

At that time, Apple was near to running out of cash. Confidence in management was at an all-time low, and widely-reported takeover talks with Sun Microsystems had just fallen through.

Apple is no longer "in crisis" said Mr George Scalise, chief administration officer, who also joined Apple last year. The company's executives would reach decisions over the next month on where to pare back operations, he said.

Apple, nonetheless, still faces serious problems. Its share of the world PC market has fallen from nearly 10 per cent a year ago to below 5 per cent. Apple's US sales, in particular, have dropped sharply. According to a report published last week by Dataquest, the market research group, Apple's US shipments dropped 30 per cent in 1996 while total PC sales grew 17.8 per cent.

Losses in the first quarter, which ended December 31, were $120m and the prospects of a swift return to profitability are fading.

Moreover, Apple still faces the fundamental problem that dogged Mr Amelio's predecessors; its product development costs are far higher than those of competitors in the PC industry because it does not use "industry standard" Intel hardware and Microsoft software.

The reorganisation will help boost sales, Mr Scalise said, by eliminating multiple engineering and marketing teams to focus efforts on core markets including education, business, publishing and consumers.

Mr Amelio also reshaped his executive team. Mr Guerro De Luca, formerly head of Apple's Claris software subsidiary, will lead the company's new global marketing group.

He also appointed Mr Avie Tevanian, formerly of NeXt, to head software development and Mr Jon Rubinstein, from FirePower Systems, to run hardware product development.

Takeover speculation surrounds Cydsa

By Daniel Dombey in Mexico City

A question mark is hanging over the future of Cydsa, one of Mexico's leading petrochemical and textile companies.

Cydsa's stock has appreciated by 43 per cent for the year to date – more than any other leading stock on the Mexican exchange – in spite of expectations of modest sales growth. This has led to speculation that an acquisition attempt is imminent.

There are reasons why Cydsa, which has a market capitalisation of $313m, might be up for sale.

The firm that controls it, Monterrey-based glass manufacturer Vitro, could improve its balance sheet by disposing of its 49 per cent stake.

Vitro dedicates almost two-thirds of its cash flow to interest on $1.8bn of debt. This is inhibiting investment at a time when Vitro's near-monopoly in the Mexican glass market is being challenged by Saint-Gobain, the large French group.

"A sale of Cydsa would make sense. Vitro could use the money to pay off its peso debt," said Mr Santiago Piqué, an analyst at Bear Stearns in New York. "There are no real synergies between the two companies."

There are family ties, however. Mr Tomás González Sada, Cydsa chief executive, is the first cousin of Adrián and Federico Sada González, Vitro chairman and chief executive, respectively.

Until recently, Vitro has refused to contemplate selling Cydsa. But the company now appears to be softening its line. "No decision has yet been made regarding Cydsa," said Mr Hiram Peón, a financial spokesman for Vitro.

For 1996, Cydsa is expected to report operating profits of $100m, from sales of $843m. The company expects an increase in sales of between 3 per cent and 4 per cent for the current year.

Total capital expenditure for 1996 was about $28m.

However, even if Cydsa were for sale, there is still no clear-cut buyer.

"We have not been buying any shares," said a spokesman at Alfa, the Monterrey based steel and petrochemical conglomerate. "Cydsa and Alfa are two completely different companies. There are no synergies between the two."

"We have not bought any large amounts of Cydsa shares recently," said a fund manager at Grupo Financiero Inbursa, a financial group owned by Mr Carlos Slim, Mexico's richest businessman and the country's best-known corporate predator. Between the stakes held by Inbursa and his conglomerate Grupo Carso, Mr Slim is estimated to own up to 10 per cent of Cydsa, which would make him its second biggest shareholder after Vitro.

Some analysts, however, argue that Cydsa's recent rise has been based on fundamentals.

The company recently won water purifying contracts with Pemex, the Mexican state oil monopoly, and it remains a profitable concern in spite of pressure on world petrochemical prices.

Yet a change in the company's ownership could come quickly – and would be unlikely to prove traumatic for the company itself.

"Being associated with Vitro does not give us any kind of competitive advantage," a Cydsa spokesman said.

Goodyear and Sumitomo in production pact

By John Griffiths

Goodyear Tyre and Rubber and Sumitomo Rubber Industries of Japan yesterday announced a production-sharing agreement, marking one of the biggest structural shifts in the world tyre industry since the start of the decade.

At the same time, the US tyres group reported its 23rd consecutive quarterly rise in operating earnings – but also one-off charges for the fourth quarter totalling $872.5m.

These were accounted for mainly by a $755.6m write-down of the group's All American oil pipeline across the southern US, as part of preparations for the pipeline's sale as a non-core Goodyear operation.

The balance was made up of costs associated with the further rationalisation of tyre and rubber operations world-wide, including the ending of tyre-making in Greece. The effect was to transform Goodyear's fourth-quarter operating profit of $184m, or $1.05 a share, into a net loss of $408.2m, or $2.63.

Under the production-sharing deal, to be signed in New York next week, Goodyear, the world's third-biggest tyre-maker, will produce Dunlop-branded tyres for Sumitomo affiliates Dunlop and OHTSU in the US. Sumitomo and its OHTSU subsidiary will produce tyres for Nippon Goodyear, the US group's Japanese subsidiary.

The agreement, initially for three years, covers 2m car and light truck tyres a year, all destined for the replacement market.

Mr Samir Gibara, Goodyear chairman, last night did not rule out extension of the collaboration with Sumitomo into other activities. "Only time will tell – but the only thing we have now is this agreement; there is nothing beyond it," he said.

The deal provides an indication of the cost and efficiency pressures being felt throughout the world tyre industry. "By better utilising the existing manufacturing assets of both companies, this agreement would avoid creating over-capacity in the industry and reduce the exposure of both companies to future economic cycles in the US and Japan," Mr Gibara said.

For the full year, Goodyear reported earnings of $674.7m, or $4.35 a share, before the one-off charges, up from $611m, or $4.02 a share in 1995. Net income for the year however fell to $101.7m, or 66 cents, on sales down from $13.17bn to $13.11bn.

Unit tyre sales were up 7.2 per cent over 1995, but Mr Gibara said revenues were impacted adversely by fierce pricing pressures around the world and the strengthening of the dollar.

The company also announced a $600m stock buy-back programme, designed to give Goodyear better flexibility in funding acquisitions and to optimise shareholder value. Last year, Goodyear spent $330m acquiring more businesses in its core tyre and rubber products sectors.

With the latest write-down, the sale of the All American pipeline – built for Goodyear during the 1980s at a cost of more than $1bn – but now valued in Goodyear's books at $420m – had moved "higher up the agenda", Mr Gibara said.

Restructuring costs were expected to be at a far lower level this year, he said.

Barrick posts 25% profits fall for year

By Robert Gibbens in Montreal

Barrick, the North American gold producer fighting Placer Dome for control of the big Busang deposit in Indonesia, posted fourth-quarter net profit of US$56m, or 15 cents a share, down from $78m, or 22 cents, a year earlier.

Gold revenues were $330m, against $377m.

For the whole of 1996 earnings were $218m, or 60 cents a share, down 25 per cent from the $292m, or 83 cents, booked in 1995. Revenues were $1.3bn against $1.28bn.

The 1996 results included a special mine development charge of $38m, or 10 cents a share.

Gold output in 1996 was 3.15m pounds, up slightly from 1995.

Cash operating costs rose $13m to $193m, but will decline in 1997.

Proven and probable reserves at the year-end totalled 51m ounces, up 40 per cent from a year earlier, mainly due to the acquisition of Peruvian and Chilean deposits. Barrick's 1997 production is hedged at $420 a pound.

The higher reserves would translate into significantly greater production by 1999, Barrick said.

Barrick is reported to be revising its offer to develop the Busang deposit to allow greater Indonesian participation, with the object of meeting the terms of a rival bid from Placer Dome, the Canadian mining group.

Glaxo Wellcome sells US plant

By Daniel Green

Catalytica Fine Chemicals, the Californian drug manufacturer, has agreed to buy a plant from Glaxo Wellcome, and to enter into a five-year sales contract worth $800m with the UK pharmaceuticals company.

Catalytica has signed a letter of intent to buy the plant in Greenville, North Carolina, thought to be worth around $150m.

Catalytica said yesterday that the plant currently employed 1,150, and that it intended to keep "the vast majority" of workers there.

Catalytica is also entering into a five-year manufacturing agreement with Glaxo Wellcome.

That would bring Catalytica about $800m in revenues over the next five years, the US group said.

Dr James Cusamano, Catalytica chief executive, said: "We would become Glaxo Wellcome's largest supplier."

The deal would be financed by an equity investment from Morgan Stanley Capital Partners, and by debt from "a major global financial institution", Catalytica said.

The rest of the plant would manufacture materials for customers such as Pfizer and Merck of the US, and Novartis of Switzerland.

Catalytica is also to issue Glaxo Wellcome with new shares amounting to an equity stake of less than 5 per cent.

The deal means a rapid increase in size for Catalytica, which puts its 1997 revenues at about $20m without the latest deal.

The sale is the last big disposal in North America likely to emerge from Glaxo's takeover of Wellcome two years ago.

Rise in medical costs hurts Aetna

By Lisa Bransten in New York

Aetna, the US life and health insurer, yesterday reported disappointing fourth-quarter results, largely because of a larger than expected rise in medical costs.

Earnings from continuing operations of $136.2m were before two one-off charges relating to the acquisition of US Healthcare, which was completed in July.

The operating earnings represented a 12 per cent increase on the $118.6m earned in the same period last year. However, operating income was 81 cents a share, compared with $1.03 made in the same period last year. This was because new shares and preferred stock had been issued since.

Analysts had forecast operating earnings closer to 85 cents a share. The company's shares fell $2⅞, or 3 per cent, to $79⅝ in early New York trading.

In the fourth quarter, 83.1 per cent of premium revenue was paid out in medical costs; higher than the 82 per cent of the third quarter, and the 78 per cent paid out in the same period last year.

Mr Gerry Frazier, a health-care analyst at Bear Stearns, said that the rise in medical costs, combined with a flat pricing environment, accounted for almost all of the earnings shortfall.

The continued inability to contain costs was a problem specific to Aetna, he said.

Revenues grew by 33 per cent to $4.5bn in the fourth quarter.

This was largely because of a rise in premiums in the Aetna US Healthcare division, which runs the company's managed care operations.

After the one-off charges – which were largely to cover severance pay and facilities closures – the company made a loss of $143.8m, or $1.06 a share, in the quarter.

For the full year, Aetna reported earnings from continuing operations of $119.2m, or 71 cents a share, on revenues of $14.8bn.

Aetna earlier this week announced plans to expand internationally with a $300m investment in Sul America Seguros, Brazil's largest insurance company.

COMPANIES AND FINANCE: ASIA-PACIFIC

Weaker yen lifts sales and profits at Sony

By Michiyo Nakamoto in Tokyo

Sony yesterday reported a strong increase in sales and profits in the third quarter, helped by the yen's weakness against the dollar and buoyant sales of electronics products. The company forecast record sales and pre-tax profits for the full year.

The Japanese consumer electronics group reported third-quarter sales in the fiscal year to March 23 per cent higher at Y1,666.8bn ($13.72bn), compared with Y1,350.6bn in the previous year.

Pre-tax profits nearly doubled to Y147.4bn while net income more than doubled, from Y37.1bn to Y75.4bn.

The strong third-quarter performance would help lift Sony's full-year sales to a record Y5,500bn and pre-tax profits to a record Y275bn, the company forecast.

The increase in sales would be 20 per cent on the previous year, Sony said, while pre-tax profits would nearly double. Net income is forecast to increase 143 per cent, to Y132bn.

Sony's strong performance owed much to the yen's weakness against the US dollar, which boosted sales by Y110bn and contributed Y40bn to operating profits for the quarter of Y300.4bn.

Sony said that apart from the yen's depreciation, it had benefited from firm demand for many of its consumer electronics products. In Japan, sales of the Sony PlayStation, a 32-bit video games machine, digital camcorders and the MiniDisc, a compact recordable audio disc, helped raise sales 14 per cent.

MiniDisc sales came to 450,000 units in the third quarter compared with 250,000 previously. Sony expects MiniDisc, which has won popular acclaim in Japan, to achieve sales of 1.5m units, in the full year to March, against 700,000 previously.

Meanwhile, the success of its digital Handycam camcorders helped sales of camcorders rise to 900,000 units against 750,000 units in the previous third quarter. Of the 3.3m camcorders Sony expects to sell in the year, it says 10 per cent will be digital camcorders.

Strong demand for computer monitors and video recorders boosted sales in the US by 30 per cent, while European sales were up 25 per cent, helped again by the yen's weakness.

The third quarter was a good one for Sony's entertainment division, particularly its films arm, which has often dragged consolidated sales down in the past. Even in local currency terms, music hits such as Celine Dion's "Falling Into You", and video sales of the movie *Mathilda* lifted sales in Sony's music and movie divisions by 13 per cent and 35 per cent, respectively.

PLDT advances 12% as revenues improve

By Justin Marozzi in Manila

Philippine Long Distance Telephone Company (PLDT), the former state telecommunications company, yesterday announced a 12 per cent rise in net profits to 6.44bn pesos ($244m) in the year to December 31 on the back of improved revenues.

The shares, which have risen 15 per cent in three weeks following bearish market sentiment on forthcoming reductions in international accounting rates, gained 10 pesos to close at 1,585 pesos.

Analysts expect the rate reduction, urged by the US Federal Communications Commission, to be 15-20 per cent initially with a further fall of 20 per cent in 1998 after PLDT's negotiations with AT&T, the US telecommunications group.

PLDT, which is also listed in New York, said a 13 per cent rise in revenues to 28.6bn pesos accounted for the increase in group profits.

International long-distance revenues, however, which accounted for more than 55 per cent of the total, grew only 5 per cent to 15.86bn pesos, after a weakening of the peso against the dollar, a decline in accounting rates and increased outgoing calls.

To offset the decline in rates, PLDT is applying to the National Telecommunications Commission for a rebalancing of tariffs through a reduction in subsidies on domestic rates.

It hopes to receive approval for a 20 per cent rise both in national long distance charges and in the local service fee, together with an increase in the fixed monthly service rate.

Analysts were divided over short-term prospects for the group. "While results are in line or a little better than expectations, the good news is really to come through in 1997 because of ongoing expansion of the customer base and the potential for very large increases in domestic tariff rates, which will more than offset any decline in accounting rates," said Mr Matthew Sutherland, head of research at Asia Equity.

Concern, however, was expressed about the timing of the introduction of the new rates and the group's ability to continue effective cost-cutting measures. The head count has already fallen from more than 20,000 in 1994 to 18,400. The target is 15,000 by 1999-2000.

"There are concerns over downward pressure on international revenues which will not be balanced by significant improvements in operating costs which largely came from one-off factors in 1996. We are expecting sub-market earnings growth," said Ms Alex Connor, analyst at W.I. Carr in Manila.

More than 80 per cent of PLDT's revenues were denominated in or dependent on US dollars, as was around 90 per cent of group debt, she added.

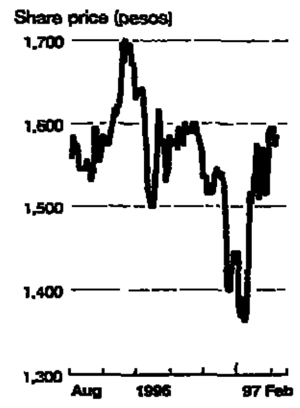
Long-term debt rose from 36.4bn pesos to 45.3bn pesos, giving gearing of 90 per cent. W.I. Carr is forecasting a 2.1 per cent depreciation of the peso against the dollar for 1997. Fully diluted earnings per share rose from 84.21 pesos to 93.8 pesos.

Veronica Garbutt

Making connections: an operator at PLDT, which seeks a 20% rise in long-distance charges

PLDT

Share price (pesos)



Source: Datastream

Analysts cool on China Eastern's HKSE debut

By Louise Lucas in Hong Kong

China Eastern Airline, the Shanghai-based carrier, failed to make a flying start on its Hong Kong Stock Exchange debut yesterday, despite seeing its initial public offering 22 times subscribed.

The share price closed 5 per cent up, at HK$1.45, compared with an issue price of HK$1.38.

While the benchmark Hang Seng index rose less than 1 per cent, China Eastern's debut was considered by analysts to be unimpressive, especially given its role as the first Chinese airline to be listed overseas.

In the US, China Eastern's American Depositary Shares were trading at US$19¼ early yesterday, compared with an issue price of US$18. Each ADS represents 100 H-shares, the name given to the stock of Hong Kong-listed Chinese enterprises.

China Eastern, Hong Kong's 24th H-share, raised some HK$1.9bn (US$246m) in a dual listing in the territory and New York.

Analysts see limited upside for the stock in the future.

Concerns include the heavy regulatory environment in which airlines operate in the mainland, the company's debt burden, and competition on international routes.

Investors may have been further dispirited yesterday by Beijing's decision to slash domestic air fares for foreigners travelling in China.

The move, which is part of an attempt to boost tourism, sees air fares cut by as much as 30 per cent for foreigners.

The shares were priced at the top end of the proposed range – another factor behind the modest debut.

In addition, a portion of the US/international offering was reallocated to Hong Kong investors to meet the stronger demand in the territory.

Of the net proceeds, US$135m will be used to buy new aircraft, spare parts and equipment.

The company, China's most profitable airline, has entered into agreements to purchase nine McDonnell Douglas MD90s and five Airbus A340s, which are to be delivered over the next four years.

The carrier, one of the top three in China, operates 114 routes, 91 of which are domestic, and makes more than 1,100 scheduled flights a week from 44 airports within China and abroad.

The company plans to add capacity to internal routes and to expand its international network.

Indosat surprises with double-digit growth

By Manuela Saragosa in Jakarta

Indosat, the Indonesian satellite telecommunications company, surprised investors yesterday by announcing double-digit growth in net income in 1996.

Non-core business units started contributing to earnings earlier than had been expected.

Net income rose 14 per cent on the previous year to Rp523.5bn ($220m). Operating revenues increased from Rp1,040bn to Rp1,220bn.

That beats the 6.4 per cent growth in net income that Indosat achieved in the first six months of last year, when it was suffering from a slow-down in the expansion of revenues from international calls.

The company said that revenues from international calls rose 15.8 per cent last year.

Revenues from its other telecommunications services rose 32.1 per cent.

Mr Tjahjono Soerjodibroto, Indosat president and chief executive, said that the company's investments in its subsidiaries had started to pay off earlier than had been expected.

Those investments brought Rp18.5bn to the bottom line.

Among the investments are Telkomsel, the mobile phone operator in which Indosat has a minority stake, and the company's joint-venture project, Mitra Global Telekomunikasi Indonesia.

Mitra Global was one of several consortia awarded a government licence to install and operate phone lines in Indonesia.

Mr Tjahjono said: "Our 1996 result has shown our strong commitment to achieving double-digit growth, despite the gloomy outlook given by most telecoms analysts."

He dismissed concerns about a global trend towards lower international tariffs and its impact on the company's international telephone traffic levels.

"Our new competitive international tariffs allow us to concentrate on our efforts to increase traffic volume," he said.

Mr Tjahjono added that he believed Indosat's outlook in this regard to be "positive".

Indosat's international telephone traffic in 1996 increased 17 per cent.

Company officials indicated that Indosat's loss of market share to Satelindo, a rival Indonesian international call service provide,r was declining.

As evidence, they pointed to higher outgoing telephone traffic growth of 20.2 per cent in 1996, compared with 13.2 per cent a year earlier.

ASIA-PACIFIC NEWS DIGEST

ANA plans to lift passenger capacity

All Nippon Airways, Japan's second-largest airline and dominant domestic carrier, announced it would introduce larger aircraft and additional routes, in unveiling its 1997 business plan in Tokyo yesterday. The company predicted the changes would help its annual passenger capacity exceed 40m for the first time.

In the final year of a three-year, medium-term restructuring plan, the airline is to take delivery of 11 new airliners, including four Boeing 777-200s and three Airbus aircraft. It will retire five others, taking the total fleet to 138 aircraft.

ANA said it was on target to reduce personnel costs per seat kilometre by 20 per cent, increase aircraft utilisation by 10 per cent and raise revenues by 15 per cent, under its restructuring plan. *Jonathan Annells, Tokyo*

Gujarat Ambuja profit slows

Gujarat Ambuja Cements, one of the Indian cement companies most closely watched by foreign investors, has reported a slow-down in first-half profit growth.

The company, often described as the most efficient cement producer in India, lifted its net profit by 20 per cent to Rs489bn ($13.6m) in the six months to December 31. The net profit came after the company made a tax provision of Rs40m, following the introduction of a minimum corporate tax last year.

Net profit growth was well below the 75 per cent achieved in the same period last year. Analysts said volume increases had been offset by price falls since October. Gujarat Ambuja said the growth in cement demand in India was about 9 per cent – "almost equivalent" to last year.

It declared an interim dividend of Rs2.5, and said it recently commissioned its fourth cement plant with a capacity of 1m tonnes a year. *Tony Tassell, Bombay*

Rains hold up Newcrest

Newcrest Mining, the Australian gold miner, warned yesterday it had been forced to scale back operations at its large Telfer gold mine in the Great Sandy Desert, because heavy rainfall had cut road access. The move is designed to preserve distillate and allow treatment activities to continue.

Newcrest would not know the extent to which gold production had been affected until road access was re-established. It has already warned of a small loss in the second quarter to end-December, and said it might only break even in the second half.

Nikki Tait, Sydney

Jollibee bullish on 1997 sales

Jollibee, the Philippines' largest fast-food chain, said yesterday it expected to increase net profits in 1997 by 20 to 30 per cent from 603m pesos.

Mr Raffy dela Rosa, senior vice-president, said he expected strong sales growth to drive the rise in profits. He forecast group sales growing by 30-40 per cent, with the Greenwich pizza stores doubling their contribution from 500m pesos to 1bn pesos ($38m).

Jollibee's 1996 profits, announced last month, disappointed analysts. It reported a 12 per cent rise, short of its target of 20 per cent. The group is following an ambitious expansion programme to become a leading Asian fast-food chain. It plans to open 30 to 50 new outlets a year. *Justin Marozzi, Manila*

KDD takes step into cable

KDD, Japan's leading international telecommunications carrier, is to take a 2 per cent equity stake in a cable television operator. This is the first step in its strategy to develop a nationwide network of customers in the run-up to Japan's telecommunications deregulation.

KDD is expected to invest up to Y60m ($0.49m) in Cable Television Tokyo, when the cable operator raises its capital to Y3bn later this year. CTT serves 12,000 households in the affluent Minato district in central Tokyo.

Analysts said the move heralded a series of medium-sized investments in local cable companies, providing KDD with access to potential subscribers to allow it to compete in the domestic long-distance telephone market. At present, KDD is only permitted to offer international services.

However, the benefits of such a plan are limited because cable penetration in Japan is still low, analysts said. *Jonathan Annells*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 06.02.97: Pool purchase price £/MWh	Final Prices for Trading on 03.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.43	21.41	22.63
0100	16.43	22.26	23.48
0130	29.63	30.00	31.22
0200	29.63	30.00	31.22
0230	29.63	22.26	23.48
0300	28.34	39.44	40.65
0330	28.34	39.44	40.65
0400	16.43	22.26	23.48
0430	16.43	22.26	23.48
0500	28.34	22.26	23.48
0530	12.00	34.78	36.00
0600	12.00	34.78	36.00
0630	12.00	26.42	27.64
0700	12.00	26.77	28.00
0730	32.39	27.54	28.85
0800	32.39	28.58	30.19
0830	32.43	38.98	40.81
0900	32.43	42.10	44.78
0930	37.31	48.50	51.73
1000	37.31	50.45	54.11
1030	37.31	50.72	54.45
1100	37.31	50.86	54.61
1130	37.31	50.22	53.82
1200	37.32	50.48	54.16
1230	37.32	49.79	53.32
1300	37.31	49.50	53.01
1330	32.43	42.34	45.32
1400	32.43	41.29	44.05
1430	32.43	39.20	41.88
1500	32.43	39.97	42.85
1530	32.43	44.96	49.21
1600	35.66	81.88	93.87
1630	40.18	219.69	257.62
1700	44.59	349.20	398.25
1730	58.79	375.04	428.29
1800	72.59	280.75	322.51
1830	71.36	158.21	180.16
1900	50.36	94.26	105.44
1930	43.17	57.45	63.29
2000	37.02	44.89	47.59
2030	32.39	32.78	34.55
2100	28.13	27.78	28.17
2130	26.51	27.37	28.63
2200	26.51	26.92	28.14
2230	21.13	26.72	27.84
2300	13.00	21.47	22.89
2330	13.00	21.47	22.89
2400	11.67	11.78	11.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 [illegible] between 8.30am and 5.15pm Monday to Friday.

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Compromise move agreed in attempt to ease volatility in shares of demerged companies

Grey market for BG and Centrica

By Robert Corzine

A grey market is due to start on Monday in the shares of BG plc and Centrica, the two companies created by the demerger of British Gas on February 17.

The London Stock Exchange has approved the scheme, which was put forward by brokers led by SG Warburg. It will begin one day before the company holds an extraordinary general meeting to approve the demerger.

British Gas and Schroders, which is sponsoring Centrica's introduction to the London market, have reluctantly gone along with the grey market, although neither has formally endorsed it.

Industry analysts have published a wide range of valuations for the companies, whose demerger is accompanied by an unusually large number of regulatory and competitive uncertainties.

Marketmakers had wanted a grey market to begin three weeks before the start of official trading. A compromise put forward by the exchange will limit its operation to one week.

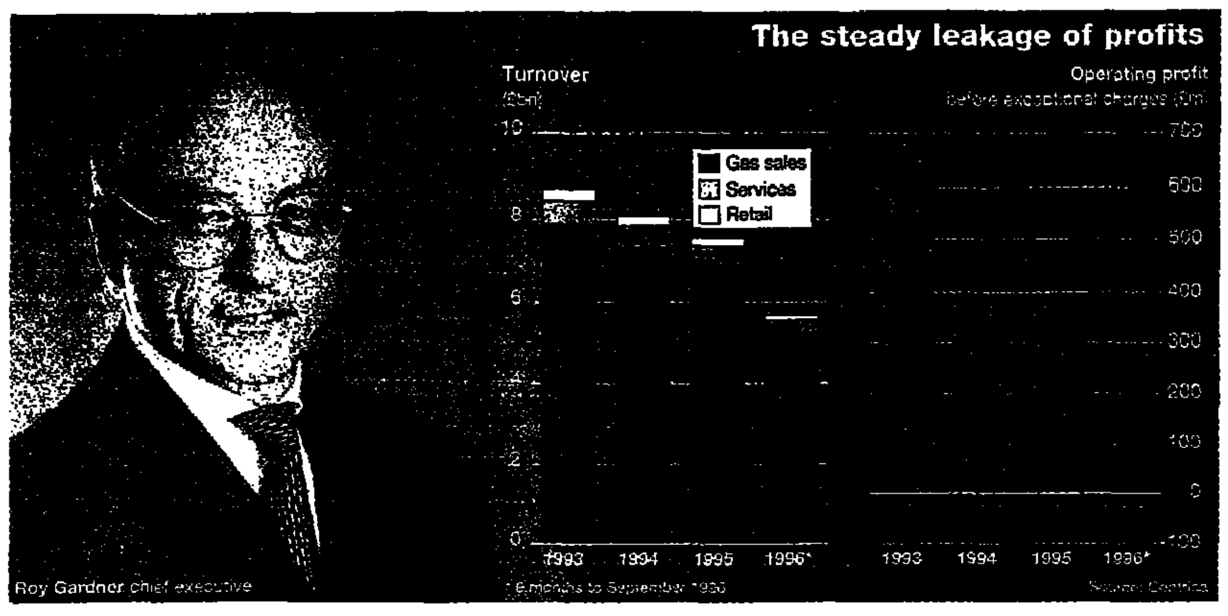
Analysts yesterday welcomed the grey market, which they hoped would give investors some "clarity" about the likely direction of shares. "It will help settle things down and allow institutions to focus on the valuation issue," said one.

The wide range of valuations has prompted some concern over the potential volatility of the shares of the companies after the demerger. Valuations for BG plc, the bigger of the two, stretches from about 117p to a high of 240p. The range for Centrica is 40p to 91p a share, with most valuations in the 40p-65p bracket.

One analyst said he hoped the grey market would help calm concerns about Centrica, British Gas's domestic trading, distribution, service and retail arm. He pointed to a possible convergence of technical factors that could make it a particularly volatile share on February 17.

British Gas's decision not to seek a US listing for Centrica means many US funds will be forced to sell the shares. Any US selloff could be exacerbated by the withdrawal of UK income funds because Centrica will not pay a dividend. In addition uncertainty that Centrica might not qualify for the FTSE 100 could cause tracker funds to sell at the same time.

Trading volumes are also likely to be thin, and therefore any prices that emerge may not be an accurate benchmark for formal trading. "My concern is that the price from the grey market may not send any signal at all," said one executive involved in the demerger.



Roy Gardner chief executive

Pru caps bid for Scottish Amicable

By Christopher Brown-Humes

Prudential, the UK's leading life insurer, opened a bidding war for Scottish Amicable yesterday, with a £1.9bn ($3.07bn) offer which capped that from Abbey National last week.

Policyholders would get an average of £363 in cash or shares, with a similar amount added to their policies. The combined group would have more than £100bn of funds under management.

Abbey said it would consider improving its terms, which value the mutual life insurer at up to £1.4bn.

Observers said an auction behind closed doors was now likely. They said National Westminster Bank, Fortis of the Netherlands, and AMP, Australia's biggest life insurer, were among the most likely participants.

Scottish Amicable invited "definitive offers" from some of the "half dozen" companies which have approached it but refused to concede that its days as an independent company were over. It postponed sending out details of its own criticised demutualisation proposals for at least two weeks.

The Pru would give Scottish Amicable's 1.1m policyholders £800m in cash, shares and bonuses and inject £1.1bn into Amicable's with-profits life fund.

Half of the windfall which policyholders receive would be in cash or shares. They would also get £150m in bonuses added to policies immediately and at least £250m more on maturity. The bonus funding comes from a £400m distribution of surplus assets from within Scottish Amicable's life fund. Abbey plans to distribute at least £400m to policyholders and Scottish Amicable at least £275m.

Analysts said the Prudential may have launched a knock-out blow, because of the way it was using the strength of its life fund to support its offer. "It's difficult for anyone else to come in," said Mr Roman Cizdyn, insurance analyst with Merrill Lynch. Prudential's shares rose 14p to 554.5p.

Lex, Page 16

Triplex defeated in bitter battle for Cook

By Richard Wolffe
Midlands Correspondent

Triplex Lloyd yesterday acknowledged defeat in its bitter takeover battle to win control of William Cook, the steel castings group.

Triplex was unable to raise its offer to beat the rival bid by the management buy-out team led by Mr Andrew Cook, chairman and chief executive of William Cook. The withdrawal marks an end to the 12 week struggle between the two castings companies which has been marred by personal attacks by both sides and allegations of smear tactics.

Mr Colin Cooke, chairman of Triplex Lloyd, said: "We correctly identified that William Cook was an undervalued company and would like to have acquired it at a price that we could have justified to our shareholders. In the event, this was not possible."

Triplex had been trying to win support among shareholders for a new offer since Mr Cook launched his management buy-out bid two weeks ago. Mr Cook's recommended cash offer of 425p a share values William Cook at £79.5m, compared to Triplex's cash and shares package worth £73.7m. Triplex said its 394p a share offer would lapse on Friday.

Triplex's withdrawal represents a personal victory for Mr Andrew Cook, who was expected to lose control of the company founded by his great-great-grandfather.

Under the terms of the buy-out, backed by Electra Fleming, Mr Cook will have a 14 per cent stake in the new company, to be called Steel Castings Investments.

Rodamco left in Imry talks

By Andrew Taylor

Rodamco, the Dutch property investment fund, has emerged as the sole remaining bidder for Imry Holdings, the development company rescued by Barclays in 1992.

The bank confirmed yesterday that negotiations with other potential purchasers had ceased, leaving Rodamco in pole position. It is believed to be discussing an offer worth up to £450m ($729m).

Other potential bidders are understood to have been prepared to pay no more than £400m-£420m for Imry, which owns the 500,000 sq ft Shires shopping centre in Leicester and a large retail development site in Southampton.

Mr Elliott Bernerd, chairman of Chelsfield, the UK property group, said: "We are not prepared to chase values beyond those with which we are comfortable on a long term basis. We were front runners until late last week, but have rigorous views about returns to our shareholders, particularly where development exposure is concerned."

One concern was the cost of developing the Southampton site, where Imry won planning permission for a 1.2m sq ft development.

A sale to Rodamco, however, may still be some way off, with due diligence yet to be completed and detailed negotiations only just under way.

Rodamco, part of Robeco, the Dutch fund management group, owns assets approaching $5bn. About 60 per cent of its portfolio is in retail properties.

Safeway in talks with Wellworth

By Peggy Hollinger
and John Murray-Brown

Safeway is believed to be discussing a joint venture with Northern Ireland's second largest supermarket chain that would allow it to leapfrog its larger rivals in the province, J Sainsbury and Tesco.

Safeway is thought to be having initial talks with Fitzwilton, the investment vehicle of Heinz chief, Mr Tony O'Reilly, which owns 97 per cent of the Wellworth supermarket group with 21 per cent of the Northern Irish market.

Analysts estimate that a 50 per cent stake in Wellworth could cost between £90m and £100m ($162m).

Fitzwilton built up its stake in Wellworth between 1992 and 1994 at a cost of £122m. The supermarket group last year had sales of about £300m.

Fitzwilton shares yesterday jumped 10p to 57½p on rumours of a deal and Safeway's rose 11½p to 391p.

All the main UK multiples have been attracted to the province since the IRA ceasefire in August 1994.

The supermarket sector in particular, estimated to be worth £1.6bn a year, is viewed as underdeveloped in terms of product ranges and technology.

Safeway is thought to have approached Wellworth over a possible deal when it became clear that J Sainsbury and Tesco were having difficulty obtaining planning permission for sites in Northern Ireland.

Sainsbury is facing planning inquiries on three sites and was forced by a High Court action to halt construction of a store at Coleraine following objections from local traders. Tesco has a small Metro store in Belfast City centre and is looking at two other sites.

Analysts said yesterday that a joint venture could be attractive to both parties.

It would give Safeway the chance to increase market share and would circumvent the difficulties encountered by its larger rivals.

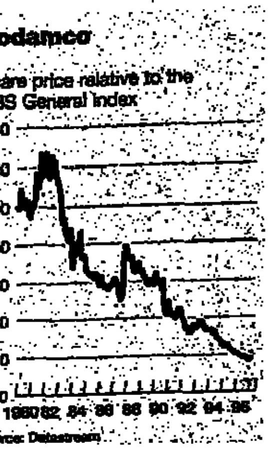
Wellworth would benefit from Safeway's buying power in a market which is expected to become increasingly competitive.

Prices are substantially higher in Northern Ireland than in the rest of the UK and analysts estimate that a Safeway/Wellworth combination could bring them down by up to 5 per cent.

This would give Wellworth a significant advantage on pricing over Stewarts, the rival domestic supermarket group owned by Associated British Foods, which controls about 22 per cent of the market.

LEX COMMENT

Imry



One of the last of the shipwrecked property buccaneers of the 1980s looks set to be raised from its creditors. Imry Properties would join Stanhope, Greycoat and Randsworth Trust on the list of those that returned from the dead. And Barclays Bank, the current owner, will be relieved to be rid of it, having found itself as sole banker to a collapsed leveraged buy-out. With negotiations running at around £450m for Imry, Barclays could even take a healthy book profit – although it previously made £240m of provisions against the investment.

The identity of the likely buyer, Rodamco, will bring back happy memories. The Dutch property fund was the aggressor in the UK's last big hostile property bid, for Hammerson – its 1989 offer still comfortably exceeds Hammerson's market value. Furthermore, it is the first overseas investor to take on a substantial development project since Imry's headier days. This suggests considerable confidence in the property market recovery. After all, Imry's 800,000 sq ft retail development in Southampton will require £200m of additional capital.

It is this project which is the key to making a profit from Imry. And with shopping centre rents finally rebounding, demand for the few development sites with planning permission is high. Nonetheless, this is a problematic site and valuations look demanding. With so many reminders of the 1980s, it is no wonder Chelsfield's shares rose on news that it was out of the bidding.

NEWS DIGEST

I&S 'surprise' at Fleming

Ivory & Sime, the Edinburgh-based fund manager, said yesterday it was surprised at suggestions that Fleming Investment Trust Management was looking at the possibility of taking over its funds under management.

Mr Daniel Godfrey, marketing director of Fleming, said "Fleming is always interested in acquiring new management contracts". He added that over the past two years Fleming had "acquired the management contracts of two trusts".

He said Fleming had "no plans with regard to I&S," but one executive said that "slide rules are also being run over I&S in case a bid gets on to the agenda".

James Buxton in Edinburgh and William Lewis in London

Jacobs takes Ropner

Ropner, the shipping, property and engineering group, yesterday succumbed to a revised £33.8m ($54.8m) bid from rival Jacobs Holdings, signalling the demise of one of the few survivors of Britain's once important merchant shipping sector. Nearly three months after Jacobs mooted an all-share offer valuing the target at £27m, it raised its offer and introduced a cash element. Ropner's board, which includes three of the founder's great-grandsons, recommended the revised bid.

The offer is three new Jacobs shares and 302.75p cash for four Ropner shares. At yesterday's closing price of 91½p, up ½p, it values each Ropner share at 144p. Ropner's shares closed up 12p at 142p.

Jacobs is also offering a partial cash alternative, allowing shareholders to take half their share entitlement in cash. UBS is underwriting the cash alternative at 84p a share.

At yesterday's closing price, the cash alternative also valued each Ropner share at 142p. A total of £22m cash will be available to Ropner shareholders.

Motoko Rich in London and Chris Tighe in Newcastle

Scott Pickford meeting

The board of Scott Pickford, the UK oil consultancy at the centre of a tussle between US and Australian rivals, will meet on Friday to consider which of the two offers to recommend. Mr Don Scott, chairman, said he was also seeking clarification about an extraordinary meeting which was requested on January 30 by Mr Anthony Phipps who holds 24 per cent of Scott's stock.

Mr Phipps has alleged that Scott Pickford disregarded shareholders' interests by going ahead with a share exchange with Aerodata Holdings, the Australian oil services group, at a time when Core Laboratories, the US oil consultancy, had made a higher bid.

Core yesterday said its 59p per share cash offer, which values Scott at £7.46m, was conditional upon a recommendation by this Friday. It is also conditional upon acceptances from 90 per cent of Scott's shareholders.

Michael Lindemann

LucasVarity disposal

LucasVarity, the Anglo-US engineering group, yesterday announced the first disposal as part of its £250m ($405m) restructuring. The company – which last December said it would be selling 13 non-core subsidiaries – has sold its 50 per cent holding in Lucas Yuasa, its automotive battery business, to its joint venture partner Yuasa Corporation of Japan. LucasVarity did not disclose the value of the deal.

Citibank recruits Newman

First Direct, the Midland Bank subsidiary which pioneered telephone banking in the UK, is to lose its chief executive to the US. Mr Kevin Newman, chief executive of First Direct since 1991, is to move to Citibank in New York to develop the bank's global telephone banking operation. Midland, itself a subsidiary of HSBC Holdings, said yesterday Mr Newman's departure was amicable. Mr Graham Picken, First Direct's chairman, will take on a broader executive role. Mr Andrew Armishaw, the 35 year old director of information technology – a role Mr Newman once held – will step up to the position of chief operating officer.

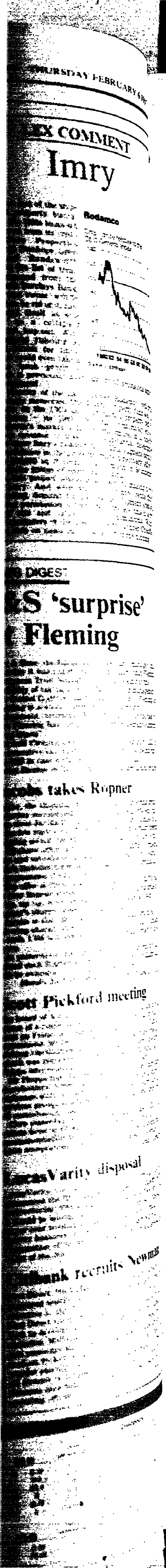
George Graham

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Betacom	6 mths to Dec 31	24.9	(6.92)	1.26	(0.257)	1.62	(0.36)	0.2	Apr 7	-	-	-
BSkyB	6 mths to Dec 31	585.6	(464)	133.7	(106.3)	7.1	(5.6)	2.75	Apr 4	2.5	-	5.5
Eurocamp	Yr to Oct 31	104.7	(87)	9.27	(9.25)	18.3†	(22.4)	7.25	Apr 18	7.25	-	11
Gardiner	Yr to Oct 31	96.7	(90.4)	4.37	(3.344♣)	2.62	(2)	0.65	Apr 11	0.58	11	0.85
Nightfreight	Yr to Nov 30	81.2	(57.3)	5.01♥	(4.62)	6.7†	(6.78)	2.25	Apr 15	2.25	0.95	3.38
Sira Business ϕ	6 mths to Oct 31	2.81	(1.36)	0.285	(0.131)	0.091†	(-)	0.0228♦	Mar 6	-	3.55	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Angerstein U'writ	6 mths to Nov 30	107.63	(101.4#)	1.94	(1.65)	1.64	(1.33)	1.2	Mar 5	1.1	-	2.8
Yeoman	Yr to Dec 31	333.1●	(298.5●)	3.83	(3.9)	15.55	(15.85)	2.5	Apr 4	2.5	15.1	14.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. ♦Makes 0.0448p to date. #At May 31. ●Taking zero dividend preference shares at terminal redemption value.


Imry
Fleming
Pickford meeting

INTERNATIONAL CAPITAL MARKETS

Italy rallies on strong domestic buying

GOVERNMENT BONDS

By Edward Luce in London and Lisa Branston in New York

Italian bonds recovered some of the ground lost earlier in the week on reports that European Union monetary officials were drawing up plans to guarantee Italy a place in the second wave of Emu, after 2000.

Economists were divided on the reasons behind the BTP rally, with some attributing it to market relief after a period of growing uncertainty on Italy's prospects of being a founding member of Emu.

Mr Luca Jellinek, bond strategist at Paribas in London, said: "Italian bonds made good gains on the back of strong domestic buying. 1999 was never a realistic target date for Italy's entrance to Emu, so the reports on its delayed but guaranteed entry could be taken as a positive development."

Mr David Brown, chief economist at Bear Stearns in London, said: "The market's reaction was a little bit surprising. Italy is not off the hook at all. If Germany fails to give Italy less than resounding support at the summit between Mr Romano Prodi [prime minister of Italy] and Chancellor Helmut Kohl on Friday, then BTPs could take a dive."

Traders said that the resolution of Italy's long-running metal-workers' wages dispute on Tuesday, and the slowing in the annual rate of growth of Italy's consumer price index to 2.6 per cent – the lowest since 1969 – had fuelled expectations of further interest rate cuts by the central bank.

The recovery of the lira on the foreign exchange markets, where it had dropped to L990 against the D-Mark in the morning but rose to L985 in the late afternoon, directly tracked the BTP rally.

March futures on 10-year BTPs closed 0.83 higher at 130.55 on Liffe, while in the cash market the yield spread of BTPs over German bunds tightened to 155 basis points.

Spanish bonos also recovered, in spite of yesterday's report by a government minister that Spain's public debt had risen by 4 percentage points in 1996 to 69.3 per cent of GDP. Spanish 10-year bono futures rose by 0.23 to close at 113.39 in Barcelona. In the cash market, bonos' 10-year yield spread over bunds widened slightly to 109 basis points.

Overnight profit-taking by Japanese investors after the appreciation of sterling helped push UK gilts lower after a one-week rally. Traders said Italian investors heavily offloaded gilt futures to realise their recent capital gains and take advantage of cheaper Italian bonds. Liffe's March long gilt future dropped ¼ to close at 112 1/16.

Yield spreads over 10-year bunds widened by six basis points to 174 basis points.

German bund futures rose by 0.36 to settle at 102.15 on Liffe yesterday on expectations of a strong rise in January unemployment figures today.

US Treasuries were moderately lower in mid-afternoon trading as the Federal Reserve left interest rates unchanged. Bonds bounced briefly off their session lows just after 2pm, as the Fed announced that its Open Market Committee had not changed interest rates, and them began to settle back near their pre-announcement lows.

Near 2.30pm, the benchmark 30-year Treasury was ⅜ lower at 96[illegible] to yield 6.731 per cent and the two year note was down 1/32 to 99[illegible], yielding 5.874 per cent.

Few on Wall Street expected the FOMC to change monetary policy, although several economists expect an interest rate increase sometime in the first half of this year.

Of more immediate concern to the market was the new supply to be sold next week as part of the Treasury's quarterly refunding operations. The Treasury said it planned to raise about $21.75bn next week through the sale of $17.75bn in three-year notes, $12bn in 10-year notes and $10bn in 30-year bonds.

Views differ on reform of derivatives

The reform of the rules governing US derivatives regulation makes an important new distinction between retail and "professional" or wholesale traders of government securities and foreign exchange instruments.

The legislation, subject to hearings by the Senate Agriculture Committee next week, opens the door for US derivatives exchanges to offer separate markets in these products free of oversight by the Commodity Futures Trading Commission, their chief regulator.

Since nearly 80 per cent of the business at the Chicago Board of Trade and the Chicago Mercantile Exchange results from professional trading, it is conceivable that if the bill passes Congress, the CFTC will be left overseeing just a handful of retail contracts listed on US exchanges.

The bill, introduced by a bipartisan group of senators, including Mr Richard Lugar, a Republican and chairman of the committee which periodically reviews the CFTC's powers, elicited praise from the derivatives industry and a shocked response from the CFTC.

"While we are still reviewing the proposed legislation, I am concerned that it could result in profound deregulation of the country's futures and options markets," said Ms Brooksley Born, chairwoman of the CFTC. "Important protections for the public, market participants, and the stability of the financial markets could be eliminated."

The controversial portions of the bill apply to the so-called Treasury Amendment, an add-on to the Commodity Exchange Act of 1974. The amendment has said that the CFTC has no power to supervise over-the-counter transactions in foreign exchange and government securities.

The new legislation would add OTC equity derivatives transactions to that list, something derivatives dealers and their trade group, the International Swaps and Derivatives Association, have lobbied for for years. The fact that the bill would allow futures exchanges unfettered access to the OTC trade does not frighten the dealing community.

"Foreign exchange participants include many different types of entities that are regulated in different ways. These markets are remarkably liquid and efficient. That regulatory diversity may be a source of strength," said Mr Mark Brickell, a member of ISDA's board and a managing director at J.P. Morgan.

ISDA said it was concerned the bill gives the CFTC the right to regulate off-exchange forex trades with retail investors as counterparties. The bill does not offer a definition of retail investors, and so creates some additional legal uncertainty, it said.

Mr Jack Sandner, chairman of the Chicago Mercantile Exchange, said this was the first time he could remember over the past 17 years "that we have potential legislation that will nurture our industry" rather than impede its growth.

Laurie Morse

French offering gives investors Ecu option

INTERNATIONAL BONDS

By Samer Iskandar

The eurobond market yesterday saw the third issue of bonds taking into account the growing momentum towards a single European currency.

The transaction – from Caisse Centrale du Crédit Immobilier de France (3CIF) – was tagged a "catamaran bond" because it consists of two parallel floating-rate notes.

The bonds are denominated in Ecus and French francs. They have identical structures and pay the same margin, 6¼ basis points, over benchmark interest rates – the London interbank rate on the Ecu tranche and the Paris interbank rate on the French franc offer.

Investors in the bonds have an option to exchange the franc-denominated paper for its Ecu equivalent after January 1999, when the single European currency is expected to be initiated.

"We are offering investors two options," 3CIF said. "An option on the single currency, and another on liquidity."

Liquidity is expected to increase as a result of the exchange, which raises the outstanding amount of the Ecu-denominated issue.

Crédit Commercial de France, the lead manager, said the deal had met strong demand, notably from money market funds.

It also highlighted the simplicity of the structure. The French franc bonds come in denominations of FFr1m, while the Ecu paper comes in lots of Ecu1. As a result, no cash compensation is needed when the bonds are converted.

"The investor gets the equivalent of his franc holding in Ecus, rounded to the nearest Ecu," CCF said.

Elsewhere, Brazil doubled the size of its DM500m issue launched on Tuesday. "The new bonds were very well received, just like the initial issue," said Credit Suisse First Boston, the lead manager.

Other deals launched yesterday included a maiden issue in Australian dollars by the Province of Alberta.

ABN Amro, lead manager for the issue, said the debut transaction had benefited from the "rarity value attached to the borrower, which comes to the market only a couple of times every year".

The Dutch guilder sector saw a Fl 1bn issue by BNG. "It was extremely well received," said ABN Amro, the lead manager, adding that demand in the sector was strong because of the absence of supply.

Analysts believe the Dutch government, which has already fulfilled 90 per cent of its financing requirements for the year, will not be issuing bonds in the near future.

In the dollar sector, Nomura announced it would act as lead manager for a forthcoming issue by Crédit Local de France. The total size of the deal, which is due to be launched in coming weeks, could be as high as $1bn.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Foreningsbanken‡	150	(a)	99.855R	Feb 2002	0.175R	-	Chase/Lehman Brothers
Mitsui Construction Co‡+	100	(b)	100.00	Feb 2001	0.30	-	Sakura Finance Intl
D-MARKS							
Federative Rep of Brazil(c)	500	8.00	99.90R	Feb 2007	1.00R	+230(8%-07)	CSFB
European Inv Bank(d,s)	100	4.50	101.205	Dec 2001	1.375	-	CSFB/SBC Warburg
YEN							
Export Fin & Ins Corp(e)+	14bn	5.42#	98.50R	Feb 2000	0.20R	-	LTCB International
FRENCH FRANCS							
3CIF(f)‡	3bn	(f1)	99.763R	Dec 2001	0.15R	-	CCF
SWISS FRANCS							
Guinness	125	3.00	101.85	Mar 2002	2.00	-	CSFB
Merck, Germany(g)	100	3.50	103.15	Nov 2002	2.25	-	UBS
RATP	100	3.00	102.55	Mar 2002	2.00	-	ABN Amro Hoare Govett
ITALIAN LIRE							
World Bank(h)	100bn	(h1)	101.20	Mar 2007	2.00	-	Citibank/Credito
CANADIAN DOLLARS							
Province of New Brunswick	200	6.75	99.88R	Feb 2007	0.325R	+18(7%Dec06)	RBC Dominion Securities
GMAC Canada(s)	100	6.25	100.205R	Dec 2002	0.30R	+62(7%Sep01)	Paribas Capital Markets
GUILDERS							
BNG	1bn	5.75	99.75R	Feb 2007	0.325R	+15.3(5%-07)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
Province of Alberta	100	7.00	101.984	Mar 2002	2.00	-	ABN Amro Hoare Govett
ECU							
3CIF‡	300	(i)	99.835R	Dec 2001	0.15R	-	CCF

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +6¼bp. b) 6-mth Libor +20bp. c) DM500m launched on Tuesday was increased to DM1bn. d) DM300m launched 15/1/97 was increased to DM400m. e) Redeemed in A$. f) Exchangeable into Ecu bonds from 1/1/99. f1) 3-mth Pibor +1/16%. g) Fungible with SFr300m. Plus 112 days accrued. h) L500bn was increased to L600bn. Callable on 27/3/00 at par. h1) 9.5% to 27/3/00, then 19½% - 2 x 6-mth Libor. i) Over interpolated yield. j) 3-mth Libor +1/16%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.5275	+0.470	7.25	7.48	7.44
Austria		5.625	01/07	99.4400	+0.270	5.70	5.84	5.86
Belgium		7.000	05/06	109.5300	+0.320	5.65	5.77	5.90
Canada *		7.000	12/06	104.2000	+0.530	6.41	6.68	6.40
Denmark		8.000	03/06	111.0000	+0.560	6.37	6.51	6.57
France	BTAN	5.500	10/01	104.1270	–	4.48	4.51	4.65
	OAT	6.500	10/06	107.1200	+0.260	5.54	5.64	5.78
Germany Bund		6.000	01/07	102.3500	+0.310	5.68	5.82	5.79
Ireland		8.000	08/06	109.9300	+0.520	6.56	6.65	6.71
Italy		7.750	11/06	104.4700	+0.330	7.10†	7.20	7.47
Japan	No 143	6.300	09/01	121.3118	–0.160	1.39	1.39	1.40
	No 182	3.000	09/05	104.3969	+0.040	2.39	2.41	2.42
Netherlands		5.750	01/07	101.0200	+0.340	5.49	5.62	5.74
Portugal		9.500	02/06	118.6400	+0.340	6.69	6.70	6.95
Spain		8.800	04/06	113.6500	+0.230	6.74	6.74	7.00
Sweden		8.000	08/07	108.5960	+0.850	6.82	6.87	6.79
UK Gilts		8.000	12/00	103–22	–4/32	6.89	7.05	7.16
		7.500	12/06	101–16	–13/32	7.28	7.54	7.52
		9.000	10/08	112–22	–9/32	7.35	7.62	7.59
US Treasury *		6.500	10/06	100–09	–	6.46	6.63	6.35
		6.500	11/26	97–00	+3/32	6.73	6.93	6.59
ECU (French Govt)		7.000	04/06	107.5100	+0.220	5.91	5.98	6.11

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.87
Prime rate	8¼	Two month	-	Three year	5.98
Broker loan rate	7	Three month	5.13	Five year	6.18
Fed.funds	5⅛	Six month	5.28	10-year	6.41
Fed.funds at intervention	-	One year	5.52	30-year	6.69

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.80	131.00	+0.34	131.08	130.74	109,673	137,182
Jun	129.46	129.74	+0.38	129.78	129.45	948	14,657
Sep	127.78	128.08	+0.40	127.90	127.78	202	776

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Mar	PUTS Apr	PUTS Jun
127	4.00	-	3.24	0.01	0.15	0.53
128	3.03	2.03	2.49	0.04	0.30	0.77
129	2.09	1.31	1.83	0.09	0.57	1.10
130	1.24	0.76	1.27	0.24	1.01	1.53
131	0.58	0.35	0.84	0.58	-	-

Est. vol. total, Calls 20,865 Puts 9,771 . Previous day's open int., Calls 139,905 Puts 154,270.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.96	102.15	+0.36	102.31	101.92	186401	230902
Jun	101.27	101.27	+0.36	101.42	101.25	1246	11121

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10200	0.58	0.48	0.74	0.91	0.48	1.21	1.47	1.64
10250	0.32	0.32	0.55	0.71	0.67	1.55	1.78	1.94
10300	0.17	0.20	0.40	0.54	1.02	1.93	2.13	2.27

Est. vol. total, Calls 25370 Puts 18483. Previous day's open int., Calls 190911 Puts 210580

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	129.42	130.55	+0.83	130.78	129.40	85861	106487
Jun	129.62	130.03	+0.85	130.00	129.60	1689	10486

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
13050	0.85	1.99	0.80	2.46
13100	0.62	1.75	1.07	2.72
13150	0.41	1.50	1.36	2.97

Est. vol. total, Calls 15297 Puts 10558. Previous day's open int., Calls 148948 Puts 144832

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.00	113.39	+0.23	113.72	112.90	123,126	67,547
Jun	–	113.32	+0.02	–	–	1	348

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-17	112-02	-0-08	112-23	111-31	109806	185942
Jun	111-26	111-18	-0-08	111-26	111-17	342	919

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
112	0-52	1-03	1-32	1-51	0-48	1-31	1-60	2-15
113	0-27	0-42	1-05	1-24	1-23	2-06	2-33	2-52
114	0-12	0-25	0-48	1-03	2-08	2-53	3-12	3-31

Est. vol. total, Calls 33498 Puts 4692. Previous day's open int., Calls 57970 Puts 32600

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	97.04	97.14	+0.26	97.16	96.96	10	6,325

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-09	112-19	+0-12	112-19	112-08	255,516	483,810
Jun	111-24	112-03	+0-12	112-03	111-24	3,850	36,368
Sep	111-20	111-12	+0-03	111-20	111-11	89	7,526

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.29			126.37	126.25	2051	na
Jun	124.87			124.93	124.81	602	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Feb 5	Day's change %	Tue Feb 4	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	121.56	–0.05	121.62	2.65	1.15
2 5-15 years (21)	151.83	–0.11	152.01	2.56	1.09
3 Over 15 years (6)	173.39	–0.18	173.71	4.29	1.00
4 Irredeemables (5)	199.39	–0.08	199.55	2.64	1.00
5 All stocks (52)	146.15	–0.10	146.30	2.94	1.12
Index-linked					
6 Up to 5 years (2)	205.91	0.02	205.87	2.08	0.00
7 Over 5 years (10)	197.33	0.03	197.27	1.32	1.09
8 All stocks (12)	197.17	0.03	197.11	1.39	0.97

	Low coupon yield Feb 5	Feb 4	Yr. ago	Medium coupon yield Feb 5	Feb 4	Yr. ago	High coupon yield Feb 5	Feb 4	Yr. ago
5 yrs	6.96	6.93	7.00	7.02	6.98	7.03	7.07	7.04	7.10
15 yrs	7.44	7.42	7.84	7.43	7.41	7.88	7.27	7.29	7.98
20 yrs	7.52	7.50	7.95	7.50	7.48	7.97	7.27	7.30	8.06
Irred.†	7.59	7.56	8.06						

	Inflation 5% Feb 5	Feb 4	Yr. ago	Inflation 10% Feb 5	Feb 4	Yr. ago
Up to 5 yrs	3.08	3.08	2.57	2.40	2.39	1.36
Over 5 yrs	3.50	3.50	3.63	3.30	3.30	3.44

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 5	Feb 4	Feb 3	Jan 31	Jan 30	Yr ago	High*	Low*
Govt. Secs. (UK)	95.50	95.71	95.05	94.61	94.37	94.64	96.34	91.59
Fixed interest	117.98	117.94	117.67	117.19	117.14	112.88	117.94	110.74

Gilt Edged Activity Indices

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29
Gilt Edged bargains	96.5	74.4	77.0	82.1	77.7
5-day average	81.5	84.5	84.9	85.8	86.5

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Exch 10½pc 1997	10.48	6.10	100⅛	-1/16	107⅛	100⅛
Treas Cnv 7pc 1997‡‡	6.97	6.15	100⅜xd	—	101⅜	100⅜
Treas 8¾pc 1997‡‡	8.63	6.17	101⅜	—	107[illegible]	101⅜
Exch 15pc 1997	14.14	6.18	106⅛	—	114⅞	102[illegible]
Exch 9¾pc 1998	9.46	6.34	103⅛	—	108[illegible]	100⅛
Treas 7¼pc 1998‡‡	7.18	6.40	100[illegible]	—	109[illegible]	100⅛
Treas 15½pc '98‡‡	13.63	6.60	113[illegible]	+⅛	122[illegible]	113[illegible]
Exch 12pc 1998	11.02	6.64	108[illegible]	—	114⅛	108
Treas 9½pc 1999‡‡	9.04	6.70	105⅛	-⅛	108⅛	97[illegible]
Treas Flg Rate 1999	-	-	100⅛	-⅛	100⅛	99⅞
Exch 12¼pc 1999	11.05	6.73	110[illegible]	-⅛	116⅛	110⅛
Treas 10½pc 1999	9.73	6.67	107⅞	-⅛	111[illegible]	107
Treas 6pc 1999 ‡‡	6.09	6.68	98½xd	-⅛	99⅛	96
Conversion 10¼pc 1999	9.44	6.81	108[illegible]	-⅛	111[illegible]	107⅜
Conv 9pc 2000‡‡	8.50	6.85	105⅞	-⅛	108⅛	103[illegible]
Treas 13pc 2000	10.99	6.92	118⅛	-⅛	123[illegible]	117⅞
Treas 14pc 1998-1	12.83	6.54	109⅛	-⅛	116[illegible]	108⅛
Treas 8pc 2000‡‡	7.72	6.88	103[illegible]	-⅛	104[illegible]	101⅛
Treas Flg Rate 2001	5.67	-	100⅛	—	100⅛	99¼
Treas 10pc 2001	9.05	6.98	110[illegible]	-⅛	113⅛	100[illegible]
Treas 7pc 2001 ‡‡	6.99	6.98	100⅛	-⅛	100⅞	96½
Five to Fifteen Years						
Treas 7pc 2002‡‡	6.98	6.95	100⅛	-⅛	100[illegible]	97[illegible]
Treas 9¾pc 2002	8.70	7.08	112⅛	-⅛	113⅛	106⅞
Treas 8pc 2003‡‡	7.64	7.07	104[illegible]	-⅛	105½	99[illegible]
Treas 10pc 2003	8.71	7.14	114[illegible]	-⅛	116	11⅛
Treas 11½pc 2001-4	9.92	6.99	115⅞	-⅛	121⅝	114⅛
Funding 3½pc 1999-4	4.10	5.94	85[illegible]	+⅛	85[illegible]	78¼
Conversion 9½pc 2004	8.35	7.18	113[illegible]	-⅛	113[illegible]	107[illegible]
Treas 6¾pc 2004‡‡	6.91	7.15	97[illegible]	-⅛	97⅞	91⅛
Conv 9½pc 2005	8.35	7.24	113[illegible]	-⅛	122[illegible]	108⅛
Treas 12½pc 2003-5	9.74	7.16	128⅛	-⅛	130[illegible]	123[illegible]
Treas 8½pc 2005‡‡	7.86	7.25	108⅛	-⅛	108⅛	101⅞
Treas 7½pc 2006‡‡	7.39	7.28	101[illegible]	-⅛	101⅞	94[illegible]
Treas 7¾pc 2006‡‡	7.51	7.29	103⅛	-⅛	107¼	96⅞
Treas 8pc 2002-6‡‡	7.76	7.21	103⅛	-⅛	104	97⅞
Treas 11¾pc 2003-7	9.62	7.14	122⅛xd	-⅛	124⅛	115⅛
Treas 8½pc 2007 ‡‡	7.82	7.30	108[illegible]	-⅛	108[illegible]	101⅛
Treas 7 1/4pc 2007‡‡	7.26	7.28	99[illegible]	-⅛	100	97[illegible]
Treas 9pc 2008 ‡‡	7.98	7.35	112[illegible]	-⅛	113	103[illegible]
Treas 8pc 2009	7.63	7.40	104⅞	-⅛	105⅛	96[illegible]
Treas 6 1/4pc 2010‡‡	6.97	7.47	89⅝	-⅛	89[illegible]	81⅛
Conv 9pc Ln 2011 ‡‡	7.93	7.45	113⅛	-⅛	113[illegible]	104⅝
Over Fifteen Years						
Treas 9pc 2012‡‡	7.90	7.47	113[illegible]xd	-⅛	114⅛	104[illegible]
Treas 5½pc 2008-12‡‡	6.52	7.22	84⅛	-⅛	84⅛	75⅞
Treas 8pc 2013‡‡	7.63	7.49	104[illegible]	-⅛	105[illegible]	95[illegible]
Treas 7¾pc 2012-15‡‡	7.55	7.49	102[illegible]	-⅛	103⅛	93[illegible]
Treas 8pc 2015‡‡	7.60	7.47	105¼	-⅛	106⅛	95[illegible]
Treas 8¾pc 2017‡‡	7.77	7.53	112[illegible]	-⅛	113½	102½
Treas 8pc 2021‡‡	7.57	7.48	105¼	-⅛	106[illegible]	95[illegible]
Undated						
Consols 4pc	7.74	-	51[illegible]	-⅛	52⅛	46⅞
War Loan 3½pc‡‡	7.53	-	46[illegible]	—	46[illegible]	41⅛
Conv 3½pc '61 Aft	5.53	-	63[illegible]	-⅛	63[illegible]	56⅞
Treas 3pc '66 Aft	8.05	-	37⅛	—	122⅛	34⅞
Consols 2½pc	7.58	-	32[illegible]	-⅛	33⅛	29⅞
Treas. 2½pc	7.70	-	32[illegible]	—	32[illegible]	29⅛

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	-	1.97	114⅛	-⅛	114⅛	111⅛
2½pc '01 (78.3)	2.55	3.13	186[illegible]	+⅛	186[illegible]	176¼
2½pc '03 (78.8)	2.79	3.22	183¼	+⅛	183¼	171[illegible]
4⅜pc '04‡‡ (135.6)	2.85	3.23	119⅛	—	119⅛	112[illegible]
2pc '06 (69.5)	3.03	3.33	193¼	+⅛	193¼	179[illegible]
2½pc '09 (78.8)	3.16	3.40	173[illegible]	—	173[illegible]	161⅛
2½pc '11 (74.6)	3.25	3.48	179⅛	+⅛	179[illegible]	166⅞
2½pc '13 (89.2)	3.30	3.49	147[illegible]	+⅛	148	136⅞
2½pc '16 (81.6)	3.36	3.53	157⅞	+⅛	157⅞	145⅛
2½pc '20 (83.0)	3.43	3.58	150⅛	+⅛	151⅞	138[illegible]
2½pc '24‡‡ (97.7)	3.45	3.58	124[illegible]	+⅛	126⅛	115⅛
4⅛pc '30‡‡ (135.1)	3.45	3.58	122[illegible]xd	-⅛	124⅛	113[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1996: 152.9 and for December 1996: 154.4.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.48	7.60	120¾	+1⅛	120¾	111[illegible]
B'ham 11½pc 2012	8.81	8.08	130½	+2	130½	119½
Leeds 13½pc 2006	9.89	-	136½	+2	136½	129
Liverpool 3½pc Irred.	8.33	-	42	+2	42	37½
LCC 3pc '20 Aft	8.33	-	36xd	+1	38	32½
Manchester 11½pc 2007	9.15	7.98	125½	+2	125½	117
Met. Wtr 3pc 'B'	3.70	8.65	81xd	+1	81	73½
N'wide Anglia 3⅝pc 2021	-	4.22	144	+1⅞	147⅞	133
4⅛pc IL 2024	-	4.34	139⅛xd	+1⅞	140⅛	130½
Utd Mex States 16½pc 2008	12.22	-	135xd	—	135½	122

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 5

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99¾	99⅞	+⅛	6.54
ABN Amro Bank 7¼ 05	1000	101⅞	102⅛	+⅛	7.07
African Dev Bk 7¾ 23	500	101	101⅜	+¼	7.29
Alberta Province 7⅝ 98	1000	102⅜	102⅝	-⅛	6.13
Asian Dev Bank 6¼ 05	750	97½	97⅞	+⅛	6.74
Austria 8½ 00	400	106	106⅛		6.22
Baden-Wuertt L-Fin 8⅛ 00	1000	104⅞	105		6.28
Bancomext 7¼ 04	1000	90⅝	91⅛	-1⅛	9.30
Bank Ned Gemeenten 7 99	1000	101⅞	102⅛		6.16
Bayer Vereinsbk 8⅛ 00	500	104¾	105		6.32
Belgium 5½ 03	1000	94¾	94⅞		6.48
British Columbia 7¾ 02	500	105¼	105½	+⅛	6.55
British Gas 0 21	1500	16¼	16½		7.62
Canada 6⅜ 05	1500	98	98¼	+⅛	6.80
Cheung Kong Fin 5½ 98	500	98¼	98⅜	+⅛	6.63
China 6½ 04	1000	96¾	97¼	-⅛	7.22
Credit Foncier 9½ 99	300	106⅛	106⅜		6.22
Denmark 5¾ 98	1000	99⅞	100		5.87
East Japan Railway 6⅝ 04	600	99⅛	99⅜	+¼	6.78
EIB 6 04	500	97½	97⅞	+⅛	6.45
Elec de France 9 98	200	103⅛	103¼		5.98
Ex-Im Bank Japan 8 02	500	106½	106⅝	+⅛	6.50
Export Dev Corp 9½ 98	150	104½	104¾		6.09
Exxon Capital 0 04	1800	61⅛	61⅜	+¼	6.53
Fed Home Loan 7⅛ 99	1500	102⅜	102½		6.16
Federal Natl Mort 7.40 04	1500	104¾	104⅞	+⅛	6.69
Ford Motor Credit 6¼ 98	1500	100¼	100⅜		6.09
General Mills 0 13	1000	26¼	27		8.43
IMI Finance 5¼ 98	650	98½	98¾		6.12
Inter-Amer Dev 6⅛ 06	1000	96¾	96⅞	+¼	6.71
Inter-Amer Dev 7½ 05	500	104⅜	104⅝	+⅛	6.78
Intl Finance 5¼ 99	500	98¾	99		5.95
Italy 6 03	2000	97½	97¾	+⅛	6.57
Italy 6⅞ 23	3500	95	95⅜	+¼	7.44
Japan Dev Bk 8⅜ 01	500	106⅝	106⅞		6.45
Korea Elec Power 6⅜ 03	1350	97¼	97⅝	+⅛	7.00
Matsushita Elec 7¼ 02	*1000*	*103⅛*	*103½*	*+⅛*	*6.61*
Ontario 7⅜ 03	3000	103¾	104		6.71
Ontario 7¾ 02	2000	105½	105¾		6.62
Oster Kontrollbank 8½ 01	200	107¼	107½		6.42
Portugal 5¾ 03	1000	95⅞	96⅛		6.63
Quebec Hydro 9¾ 98	150	105¼	105⅜		6.26
Quebec Prov 9 98	200	103	103¼		6.23
SAS 10 99	200	106⅜	106¾		6.58
SNCF 9½ 98	150	104½	104¾	-⅛	6.13
Spain 6½ 99	1500	100⅞	101		6.11
Sweden 6½ 03	2000	100⅜	100½		6.53
Tennessee Valley 6 00	1000	99⅜	99½		6.28
Tennessee Valley 6⅜ 05	2000	98¼	98½	+⅛	6.76
Tokyo Elec Power 6⅛ 03	1000	98½	98¾	-⅛	6.41
Toyota Motor 5⅝ 98	1500	99⅝	99⅞		5.97
United Kingdom 6¾ 01	2000	101¾	101⅞		6.27
United Kingdom 7¼ 02	3000	104¼	104⅜		6.35
Walt Disney 6⅜ 01	1300	99⅝	99⅞		6.58
World Bank 6⅜ 05	1500	98⅝	98¾	+⅛	6.70
World Bank 8⅜ 99	1500	106⅝	106⅞		5.73
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	98⅛	98½	+¼	6.63
Baden-Wuertt L-Finance 6 99	2000	104⅞	105⅛	+⅛	3.71
Credit Foncier 7¼ 03	2000	109½	109¾		5.37
Denmark 6⅛ 98	2000	103⅛	103¼		3.40
Depfa Finance 6⅜ 03	1500	105⅛	105¼	+⅛	5.43
Deutsche Bk Fin 7½ 03	2000	110⅜	110⅝	+⅛	5.43
Deutsche Finance 5¾ 04	2500	102⅛	102½	+⅛	5.33
EEC 6½ 00	2900	107	107⅛		4.05
EIB 6¼ 00	1500	106⅛	106½	+⅛	4.06
Finland 7½ 00	3000	109⅝	109¾		4.01
Italy 7¼ 98	5000	103¾	103⅞	-⅛	3.42
LKB Baden-Wuert 6½ 08	2250	104⅛	104¼	+⅜	5.99
Norway 6⅛ 98	1500	103¼	103⅜		3.41
Ontario 6¼ 04	1500	104⅛	104¼	+¼	5.52

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 03	4000	110⅞	110⅞	+¼	5.12
Volkswagen Intl Fin 7 03	1000	108	108⅜	-¼	5.46
World Bank 5⅞ 03	3000	104⅝	104⅞	+⅛	5.05
World Bank 6⅛ 02	3000	106¼	106⅝	+¼	4.83
World Bank 7⅛ 05	3000	110¼	110¾	+⅜	5.55
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	40½	40¾		4.87
Austria 4½ 00	1000	106¼	106½		2.33
Council Europe 4¾ 98	250	102¾	103		2.03
Denmark 4¼ 99	1000	105⅛	105¼		2.23
EIB 3¾ 99	1000	103¼	103⅞		2.06
EIB 6¾ 04	300	115⅞		-⅛	4.28
Finland 7¼ 99	300	112⅛	112⅛	+⅛	2.50
Iceland 7⅞ 00	100	115⅜	116	-⅛	2.91
Inter Amer Dev 4¾ 03	600	107¾	108		3.41
Ontario 6¼ 03	400	115¼	115⅞	+¼	3.39
Quebec Hydro 5 08	100	103	105		4.65
SNCF 7 04	450	120⅞	121¼	-⅛	3.81
Sweden 4¾ 03	500	107⅞	108⅛	+¼	3.38
World Bank 0 21	700	30	30½	-¼	4.97
World Bank 7 01	600	115⅞	116⅛	+⅛	2.83
YEN STRAIGHTS					
Belgium 5 99	75000	111¼	111½		1.00
Credit Foncier 4¾ 02	75000	114	114¼	+⅛	2.04
EIB 6⅝ 00	100000	117	117¼		1.04
Ex-Im Bank Japan 4⅜ 03	105000	113⅞	114⅛	-⅛	2.12
Fed Nat Mort 2 99	100000	102⅞	103		0.98
Inter Amer Dev 7¼ 00	30000	119½	119¾	-⅛	1.15
Italy 3½ 01	300000	108⅛	108¼		1.58
Italy 5 04	200000	118	118¼		2.45
Japan Dev Bk 5 99	100000	110⅝	110¾		0.93
Japan Dev Bk 6½ 01	120000	122	122⅛		1.53
SNCF 6¾ 00	30000	117	117¼	-⅛	1.09
Spain 5¾ 02	125000	119½	119¾		1.74
World Bank 5¼ 02	250000	117⅝	117¾		1.66
OTHER STRAIGHTS					
EIB 7⅛ 05 LFr	3000				
Rabobank Nederld 6¼ 04 LFr	3000	112¼	113¼		6.23
Austria 6½ 99 Fl	1000	105¾	105⅞		3.79
PTT Nederland 6½ 08 Fl	1300	105¼	105¾	+½	5.76
Bell Canada 10⅝ 99 C$	180	112¾	113¾		4.93
British Columbia 7¾ 03 C$	1250	108½	108¾	+¼	6.21
Canada Mtg & Hsg 8¼ 99 C$	1000	108¼	108⅜		4.77
EIB 10⅛ 98 C$	130	106⅝	107		3.83
Elec de France 9¾ 99 C$	275	111⅝	112	+⅛	4.85
KfW Int Fin 10 01 C$	400	115¾	116⅛	+⅜	5.58
Nippon Tel Tel 10¼ 99 C$	200	113	113¼		4.97
Ontario 8 03 C$	1500	108¾	110	+¼	6.16
Ontario Hydro 10⅞ 99 C$	500	112⅝	112⅞		4.56
Oster Kontrollbank 10¼ 99 C$	150	112⅜	112¾		4.81
Quebec Hydro 7 04 C$	1000	103	103¼	+⅜	6.58
Quebec Prov 10½ 98 C$	200	110¼	110½	+¼	4.49
Council Europe 9 01 Ecu	1100	116¼	116½		5.07
Credit Foncier 8⅜ 04 Ecu	1000	113⅜	113⅞	+½	6.01
Denmark 8½ 02 Ecu	1000	115	115¼		5.14
EC 6 00 Ecu	1100	105¼	105½	-⅛	4.44
EIB 10 01 Ecu	1150	117⅛	117⅜	-¼	5.12
Finland 8½ 07 Ecu	750	117¼	117⅝	+¼	6.14
Italy 9¾ 11 Ecu	2500	125¼	125¾	+⅜	6.48
Italy 10¾ 00 Ecu	1000	117⅞	118⅛		4.81
United Kingdom 9⅛ 01 Ecu	2750	115¾	116		4.75
AIDC 10 99 A$	100	107¼	107¾		6.58
Comm Bk Australia 13¾ 99 A$	100	116¼	116¾	-⅛	6.75
EIB 7¾ 99 A$	350	104⅛	104⅜	+⅛	6.03
NSW Treasury Zero 0 20 A$	1000	16⅞	17¼		7.83
R & I Bank 7¾ 03 A$	125	102¼	102⅝	+⅛	7.28
State Bk NSW 9 02 A$	300	107⅜	107¾	+¼	7.33
Sth Aust Govt Fin 9 02 A$	150	107¼	107¾	+⅛	7.37
Unilever Australia 12 98 A$	150	108½	108⅞		6.06
Western Aust Treas 7⅝ 98 A$	100	101¾	102⅛		6.13

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	102½	102⅝	+⅛	7.47
British Land 8⅞ 23 £	150	101⅛	101⅜	+⅛	8.86
Denmark 6¾ 98 £	800	100	100⅛		6.71
Depfa Finance 7⅛ 03 £	500	97⅞	98⅛	-⅛	7.53
EIB 8 03 £	1000	103¼	103⅞		7.23
Finland 7 00 £	500	100¼	100⅜		6.91
Glaxo Wellcome 8¾ 05 £	500	106	106¼	-¼	7.78
HSBC Holdings 11.69 02 £	153	116⅞	117⅛		7.77
Italy 10½ 14 £	400	123¾	124	-¼	7.92
Japan Dev Bk 7 00 £	200	100⅜	100⅝	-⅛	6.87
Land Secs 9½ 07 £	200	110½	110¾	-⅛	7.95
Ontario 11⅛ 01 £	100	112⅝	112⅞		7.38
Powergen 8⅞ 03 £	250	105¼	105½		7.76
Severn Trent 11½ 99 £	150	109⅛	109⅜	-⅛	7.23
Tokyo Elec Power 11 01 £	150	112¾	113⅛	-¼	7.43
TCNZ Fin 9¼ 02 NZ$	75	106¾	107¼		7.88
World Bank 9 99 NZ$	250	102⅝	103⅛		7.73
Credit Local 6 01 FFr	8000	105½	105¾	+⅛	4.66
Denmark 5½ 99 FFr	7000	104⅛	104⅜		3.87
Elec de France 8¾ 22 FFr	3000	127⅝	128	+⅜	6.50

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.95	100.00	5.4375
Argentaria Global Fin 0 01	700	99.67	99.77	5.5000
Bankamerica ⅛ 99	750	99.98	100.07	5.6602
Canada -¼ 99	2000	99.73	99.80	5.2500
CCCE 0 06 Ecu	200	99.85	99.95	4.0625
Commerzbk O/S Fin -⅛ 98	750	99.84	99.91	5.3750
Credit Lyonnais 1/16 00	300	99.18	99.60	5.7500
Dresdner Finance 1/16 98 DM	1000	100.00	100.05	3.1875
Fed Nat Mort -3/16 00	1000	99.84	99.90	5.9125
Finland -⅛ 99	1500	99.97	100.04	5.4375
Halifax BS 0 99	500	100.08	100.15	5.5469
IMI Bank Intl ¼ 99	500	100.43	100.54	5.7500
Italy 1/16 99	1500	100.44	100.52	5.6250
Italy ⅛ 98 Ecu	*1500*	*100.25*	*100.31*	*4.2461*
LKB Baden-Wuert Fin -⅛ 98	1000	99.92	99.98	5.4375
Lloyds Bank Perp S 0.10	600	88.75	90.25	5.8295
Malaysia 1/16 05	650	99.80	100.00	5.6875
Nova Scotia 3/16 99	500	99.99	100.07	5.6875
Ontario 0 99	2000	100.15	100.22	5.5000
Portugal 1/16 99 DM	2500	100.29	100.36	3.1875
Quebec Hydro 0 99	500	99.78	99.91	5.5938
Renfe 0 98	500	99.74	100.00	5.4375
Spain -1/16 02 DM	2000	100.11	100.17	3.1875
State Bk Victoria 0.05 99	125	100.00	100.12	5.7219
Sweden -⅛ 01	2000	99.99	100.08	5.3750
United Kingdom -⅛ 01	2000	99.86	99.90	5.3125

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	93⅞	94⅝	+33.57
Fuji Intl Finance ¼ 02	210000		85	85⅞	
Gold Kalgoorlie 7½ 00	65	1.37	107½	109	-8.21
Grand Metropolitan 6½ 00	710	4.37	114¼	115¼	+7.24
Hong Kong Land 4 01	*410*	*31.05*	*91½*	*92¼*	*-8.05*
Land Secs 6¾ 02 £	84	6.72	111½	114½	-1.80
Lasmo 7¾ 05 £	90	5.64	96⅝	97½	
MBL Intl Fin 3 02	2000	22	99⅛	99¾	-6.71
Mitsui Bank 2⅝ 03	200	2332.8	77	79	
Ogden 6 02	85	39.077	94	95¼	+62.52
Penzoil 4¾ 03	500	53.8097	115⅞	116⅞	+2.03
Sandoz Capital 2 02	750	1302.26	109	109⅞	+17.50
Seppi BVI Finance 7½ 02	250	76	92⅞	93⅞	
Sapporo 1⅝ 00	40000	1059.4	100½	101½	+16.11
Sumitomo Bank 3⅛ 04	300	3606.9	88⅞	90⅞	
Sun Alliance 7¼ 08 £	155	3.9	124	125¼	+31.77
Transatlantic Hldgs 5½ 09 £	250	5.05	93⅞	94⅞	+9.87

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

 Data supplied by International Securities Market Association.

CURRENCIES AND MONEY

Lira survives report that it will miss Emu start

MARKETS REPORT

By Simon Kuper

The lira firmed yesterday despite new evidence that Italy might be excluded from the first round of European monetary union.

A report in the Financial Times said that European officials were planning to offer Italy a delayed entry in 2000 or 2001, after Emu's planned start in 1999. The lira fell from L984 to L992.5 against the D-Mark when the report broke, but the currency recovered on Bank of Italy buying and the market's gradual perception that a guaranteed if belated entry into Emu could be good news for the lira. The currency closed the day in London L1.7 higher against the D-Mark at L985.1.

The peseta and the Portuguese escudo also rose slightly, despite fears that Spain and Portugal might likewise be excluded from the first round of Emu. At one point the Bank of Spain was seen intervening in the market, buying pesetas.

The pound soared again, helped by overnight Japanese buying. It broke the key psychologial Y200 barrier against the yen to close Y3.6 higher at a 52-month peak of Y201.3.

Japanese purchases of gilts were prompted partly by Mr Robin Cook, the UK Labour Party's foreign affairs spokesman, who had previously suggested that a Labour government might well join the second round of Emu. The yen also suffered on the market's increasing belief that the Group of Seven industrialised nations, which meets in Berlin on Saturday, would not try to weaken the dollar.

The pound also rose against the dollar and D-Mark. It gained 1.4 cents against the dollar to $1.632 and 3.4 pfennigs against the D-Mark to DM2.691. Sterling, which plunged last week, has now recovered 6.7 pfennigs against the German currency since Monday.

The D-Mark fell despite the news that Emu might start without some of Europe's traditionally weaker currencies, thus pointing to a stronger future single European currency. The D-Mark was hit by weak German industrial orders for December.

The dollar rose further against the D-Mark and the yen, climbing 0.7 pfennigs to DM1.649 and Y1.1 to Y123.3.

■ Yesterday's events have clarified what currency markets expect of Italy and monetary union. Mr Jim O'Neill, chief currency economist at Goldman Sachs in London, said: "Everybody already knew Italy was not going to be in the first round of Emu." Therefore, strong evidence that it would indeed be excluded hardly hit the lira.

In other words, the bond and currency markets have not been pricing in that Italy will join Emu in 1999. They have merely been betting that Italy will receive a public guarantee saying it will enter in the second wave.

So when the Financial Times reported that that is precisely what would happen, the lira rose to slightly higher than it had stood before. Mr O'Neill said: "If there is really a deal to guarantee that Italy can go in at any stage, it actually makes the Italian interest rate market very attractive." In short, the only news that would send the lira tumbling is if no such guarantee of membership were given.

■ Mr O'Neill also said yesterday that Saturday's G7 meeting was unlikely to stall the dollar's rise. "There's a growing view from a lot of market insiders that there's not going to be any communique from the G7, and that's a green light to sell the yen." He said the Japanese currency could drop to Y220 against the pound.

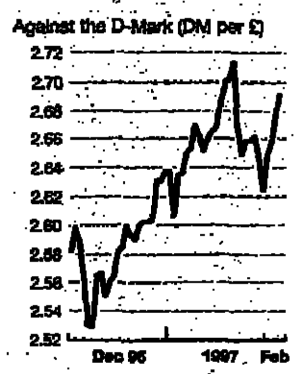
Mr Chris Turner, currency analyst at BZW in London, pointed out that ten years ago this month, at the Louvre meeting in Paris, the G7 had agreed to try to stabilise the falling dollar. That failed: the US currency continued to slip for several months afterwards. This boded ill for any G7 attempt to stabilise the rising dollar now, be said.

■ The Bank of England yesterday gave no signal as to whether UK interest rates would rise after the morning's monetary policy meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank's governor. Potentially the Bank could raise rates this morning, but the currency markets expect no move.

As forecast, the Federal Open Market Committee left US rates unchanged after its two-day meeting ended yesterday.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ **Pound in New York**

Feb 5	---Latest---	-- Prev. close --
£ spot	1.6385	1.6210
1 mth	1.6376	1.6201
3 mth	1.6368	1.6182
1 yr	1.6255	1.6084

■ **OTHER CURRENCIES**

Feb 5	£	$
Czech Rp	45.2624 - 45.3144	27.7360 - 27.7560
Hungary	278.272 - 278.473	170.520 - 170.570
Iran	4897.60 - 4895.70	3000.00 - 3000.00
Kuwait	0.4936 - 0.4947	0.3025 - 0.3030
Poland	4.8973 - 4.9043	3.0010 - 3.0040
Russia	9212.08 - 9217.66	5645.00 - 5646.00
U.A.E.	5.9938 - 5.9967	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.9340	+0.2324	251 - 429	18.9689	18.7344	18.8905	2.8	18.834	2.1	-	-	104.0
Belgium	(BFr)	55.4966	+0.6563	520 - 411	55.6200	55.0090	55.3716	2.7	55.1066	2.8	53.9116	2.9	104.1
Denmark	(DKr)	10.2587	+0.1163	549 - 625	10.2814	10.1682	10.2387	2.3	10.1982	2.4	10.0192	2.3	106.3
Finland	(FM)	8.0173	+0.0988	102 - 244	8.0244	7.9340	-	-	-	-	-	-	84.0
France	(FFr)	9.0890	+0.1015	859 - 921	9.1138	9.0107	9.0583	2.7	9.0266	2.7	8.8219	2.9	106.8
Germany	(DM)	2.6906	+0.0331	895 - 917	2.6966	2.6642	2.6841	2.9	2.6708	2.9	2.606	3.1	105.9
Greece	(Dr)	422.867	+2.73	646 - 088	424.041	420.601	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0177	+0.004	171 - 183	1.0196	1.0141	1.0174	0.4	1.0164	0.5	1.0099	0.8	103.0
Italy	(L)	2651.39	+28.41	965 - 314	2658.56	2627.64	2654.64	-1.5	2656.99	-0.8	2645.14	0.2	77.2
Luxembourg	(LFr)	55.4965	+0.6563	520 - 411	55.6200	55.0090	55.3716	2.7	55.1066	2.8	53.9116	2.9	104.1
Netherlands	(Fl)	3.0216	+0.0365	205 - 226	3.0277	2.9939	3.0138	3.1	2.9983	3.1	2.9248	3.2	104.0
Norway	(NKr)	10.5385	+0.0942	360 - 410	10.5721	10.4462	10.526	1.4	10.506	1.2	10.401	1.3	105.3
Portugal	(Es)	270.317	+3.166	177 - 457	270.637	267.722	270.512	-0.9	270.882	-0.8	-	-	95.0
Spain	(Pta)	227.854	+2.511	764 - 944	228.065	225.937	227.854	0.0	227.634	0.4	225.239	1.1	78.3
Sweden	(SKr)	12.0481	+0.2155	393 - 568	12.0656	11.8949	12.0291	1.9	11.9846	2.1	11.7751	2.3	85.2
Switzerland	(SFr)	2.3327	+0.0253	313 - 340	2.3414	2.3109	2.3247	4.1	2.3095	4.0	2.238	4.1	103.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	96.8
Ecu	-	1.3873	+0.0127	865 - 880	1.3905	1.3779	1.3854	1.7	1.3809	1.8	1.3595	2.0	-
SDR†	-	1.164944	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6321	+0.0134	317 - 324	1.6343	1.6207	-	-	-	-	-	-	-
Brazil	(R$)	1.7087	+0.0152	081 - 093	1.7108	1.6956	-	-	-	-	-	-	-
Canada	(C$)	2.1938	+0.021	929 - 947	2.1974	2.1789	2.1885	2.8	2.1778	2.9	2.1168	3.4	86.9
Mexico	(New Peso)	12.7577	+0.0744	484 - 669	12.7887	12.6795	-	-	-	-	-	-	-
USA	($)	1.6323	+0.0134	319 - 326	1.6345	1.6209	1.6314	0.7	1.6295	0.7	1.6201	0.7	102.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1439	+0.0222	427 - 451	2.1464	2.1184	2.1452	-0.7	2.1459	-0.4	2.1455	-0.1	94.6
Hong Kong	(HK$)	12.6500	+0.1043	464 - 535	12.6661	12.5625	12.6427	0.7	12.6288	0.7	12.5642	0.7	-
India	(Rs)	58.5570	+0.5275	036 - 103	58.5480	58.1490	-	-	-	-	-	-	-
Israel	(Shk)	5.4144	+0.0445	075 - 212	5.4212	5.3848	-	-	-	-	-	-	-
Japan	(Y)	201.371	+3.582	279 - 463	201.660	198.530	200.441	5.5	198.586	5.5	190.171	5.6	121.4
Malaysia	(M$)	4.0684	+0.0276	667 - 701	4.0727	4.0412	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3627	+0.0139	610 - 644	2.3644	2.3426	2.3694	-3.4	2.3788	-2.7	2.3996	-1.6	114.6
Philippines	(Peso)	42.9951	+0.3694	696 - 206	43.0206	42.9696	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1217	+0.05	201 - 232	6.1298	6.0793	-	-	-	-	-	-	-
Singapore	(S$)	2.3075	+0.0264	062 - 088	2.3095	2.2782	-	-	-	-	-	-	-
South Africa	(R)	7.3174	-0.0122	125 - 222	7.3690	7.2880	-	-	-	-	-	-	-
South Korea	(Won)	1419.49	+13.31	910 - 987	1420.36	1410.59	-	-	-	-	-	-	-
Taiwan	(T$)	44.8869	+0.4643	446 - 292	44.9292	44.5099	-	-	-	-	-	-	-
Thailand	(Bt)	42.3324	+0.3947	152 - 496	42.3830	41.9960	-	-	-	-	-	-	-

† Rates for Feb 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.6000	+0.0479	970 - 029	11.6240	11.5510	11.5853	1.5	11.54	2.1	11.345	2.2	103.9
Belgium	(BFr)	34.0000	+0.125	800 - 200	34.0700	33.8850	33.94	2.1	33.8125	2.2	33.2725	2.1	104.2
Denmark	(DKr)	6.2850	+0.02	840 - 860	6.3005	6.2643	6.2761	1.7	6.2577	1.7	6.176	1.7	105.7
Finland	(FM)	4.9118	+0.0205	085 - 151	4.9221	4.8871	4.903	2.1	4.8843	2.2	4.8018	2.2	83.6
France	(FFr)	5.5684	+0.0168	677 - 691	5.5847	5.5512	5.56	1.8	5.542	1.9	5.4864	1.8	106.5
Germany	(DM)	1.6484	+0.0069	481 - 487	1.6520	1.6415	1.6455	2.1	1.6396	2.1	1.6148	2.0	105.7
Greece	(Dr)	259.070	-0.45	990 - 150	260.350	258.720	260.625	-7.2	263.195	-6.4	274.22	-5.8	66.1
Ireland	(I£)	1.6039	+0.0069	032 - 045	1.6070	1.5955	1.6035	0.3	1.6031	0.2	1.6002	0.2	-
Italy	(L)	1624.38	+4.15	366 - 510	1631.12	1619.19	1627.12	-2.0	1630.28	-1.5	1631.16	-0.4	76.9
Luxembourg	(LFr)	34.0000	+0.125	800 - 200	34.0700	33.8850	33.94	2.1	33.8125	2.2	33.2725	2.1	104.2
Netherlands	(Fl)	1.8512	+0.0073	509 - 514	1.8560	1.8442	1.8474	2.5	1.8394	2.5	1.8038	2.8	103.9
Norway	(NKr)	6.4565	+0.005	563 - 566	6.4995	6.4310	6.4527	0.7	6.4471	0.6	6.4215	0.5	104.4
Portugal	(Es)	165.610	+0.59	560 - 660	166.190	164.600	165.815	-1.5	166.11	-1.2	166.885	-0.8	95.5
Spain	(Pta)	139.595	+0.4	570 - 620	139.750	139.360	139.693	-0.8	139.704	-0.3	138.925	0.5	78.0
Sweden	(SKr)	7.3813	+0.0722	775 - 850	7.3977	7.3172	7.3785	0.5	7.3687	0.7	7.3213	0.8	85.5
Switzerland	(SFr)	1.4291	+0.0038	286 - 296	1.4342	1.4230	1.4253	3.2	1.4175	3.3	1.3846	3.1	102.8
UK	(£)	1.6323	+0.0134	319 - 326	1.6345	1.6209	1.6314	0.7	1.6295	0.7	1.6201	0.7	95.8
Ecu	-	1.1786	-0.0012	782 - 770	1.1782	1.1735	1.178	-1.4	1.1811	-1.5	1.1977	-1.8	-
SDR†	-	0.71777	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0469	+0.0008	467 - 470	1.0470	1.0466	-	-	-	-	-	-	-
Canada	(C$)	1.3441	+0.0019	438 - 443	1.3463	1.3426	1.3417	2.1	1.3367	2.2	1.3092	2.6	86.7
Mexico	(New Peso)	7.8160	-0.0185	120 - 200	7.8200	7.8120	7.934	-18.1	8.2005	-19.7	9.061	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3135	+0.003	130 - 139	1.3139	1.3130	1.315	-1.4	1.3169	-1.0	1.3224	-0.7	96.3
Hong Kong	(HK$)	7.7500	+0.0005	495 - 505	7.7505	7.7495	7.7499	0.0	7.7504	0.0	7.7615	-0.1	-
India	(Rs)	35.8750	+0.03	500 - 000	35.9000	35.8500	36.09	-7.2	36.55	-7.5	-	-	-
Israel	(Shk)	3.3171	+0.0001	136 - 206	3.3204	3.3136	-	-	-	-	-	-	-
Japan	(Y)	123.370	+1.195	340 - 400	123.520	122.510	122.895	4.6	121.89	4.8	117.69	4.6	123.1
Malaysia	(M$)	2.4925	-0.0035	920 - 930	2.4980	2.4909	2.4954	-1.4	2.5008	-1.3	2.522	-1.2	-
New Zealand	(NZ$)	1.4475	-0.0034	468 - 482	1.4482	1.4463	1.453	-4.6	1.4573	-2.7	1.4888	-2.9	-
Philippines	(Peso)	26.3410	+0.011	310 - 510	26.3510	26.3310	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4137	+0.0046	132 - 142	1.4150	1.4038	1.4115	1.8	1.4069	1.9	1.3857	2.0	-
South Africa	(R)	4.4830	-0.0445	810 - 850	4.5330	4.4810	4.5237	-10.9	4.5987	-10.3	4.9135	-9.6	-
South Korea	(Won)	869.850	+1.05	600 - 700	870.700	869.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	+0.06	800 - 200	27.5200	27.4500	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.9350	+0.03	300 - 400	25.9560	25.9050	26.025	-4.2	26.1925	-4.0	26.83	-3.5	-

† SDR rate per $ for Feb 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 4: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 5	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅜	3⅛	3⅛	3⅛	3¼	6.00	2.50	-
France	3¼	3⅜	3⅜	3⅜	3½	3.10	-	4.75
Germany	3¼	3⅛	3⅛	3⅛	3	4.50	2.50	3.00
Ireland	5½	5¾	5⅝	5[illegible]	6	-	-	6.25
Italy	7[illegible]	7½	7¼	6[illegible]	6[illegible]	8.25	6.75	7.35
Netherlands	2⅞	2[illegible]	2[illegible]	2[illegible]	3¼	-	3.00	3.30
Switzerland	1¼	1[illegible]	1⅝	1[illegible]	1[illegible]	-	1.00	-
US	5⅜	5[illegible]	5[illegible]	5[illegible]	5[illegible]	-	5.00	-
Japan	½	⅝	⅝	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5[illegible]	5⅝	5[illegible]	-	-	-
US Dollar CDs	-	5.17	5.20	5.29	5.51	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4[illegible]	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3⅝	3[illegible]	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Feb 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3[illegible] - 2⅞	3⅛ - 3[illegible]	3⅛ - 3[illegible]	3⅛ - 3	3[illegible] - 3[illegible]	3[illegible] - 3⅛
Danish Krone	3[illegible] - 3½	3[illegible] - 3½	3⅝ - 3½	3⅝ - 3½	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
German Mark	3¼ - 3	3⅛ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅛ - 2⅞
Dutch Guilder	2[illegible] - 2⅞	2[illegible] - 2[illegible]	2[illegible] - 2[illegible]	3[illegible] - 2[illegible]	3[illegible] - 2[illegible]	3[illegible] - 3[illegible]
French Franc	3¼ - 3⅛	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3¼	3[illegible] - 3[illegible]
Portuguese Esc.	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6¼	6[illegible] - 6[illegible]	5[illegible] - 5[illegible]	5¾ - 5[illegible]
Spanish Peseta	6[illegible] - 6[illegible]	6[illegible] - 5[illegible]	6[illegible] - 6[illegible]	5⅞ - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Sterling	6¼ - 6⅛	6[illegible] - 6⅛	6[illegible] - 6⅛	6[illegible] - 6[illegible]	6[illegible] - 6⅞	6[illegible] - 6[illegible]
Swiss Franc	1½ - 1	1⅝ - 1⅜	1[illegible] - 1[illegible]	1¾ - 1½	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]
Canadian Dollar	2[illegible] - 2[illegible]	3[illegible] - 2[illegible]	3[illegible] - 2[illegible]	3⅛ - 3	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
US Dollar	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5⅝ - 5[illegible]	5½ - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Italian Lira	8 - 7⅛	7[illegible] - 7[illegible]	7[illegible] - 7⅞	7[illegible] - 7[illegible]	7[illegible] - 6[illegible]	6[illegible] - 6⅝
Japanese Yen	- - -	[illegible] - ½	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - ⅜
Asian $Sing	1⅝ - 1½	2⅞ - 2¼	3½ - 2[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.65	96.67	+0.03	96.68	96.64	14,367	70,300
Jun	96.66	96.69	+0.04	96.70	96.65	13,523	50,733
Sep	96.65	96.66	+0.02	96.67	96.64	419	37,395

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.87	96.88	+0.02	96.89	96.87	20557	206522
Jun	96.85	96.86	+0.02	96.88	96.85	21685	178329
Sep	96.77	96.77	+0.02	96.79	96.76	22093	148365
Dec	96.60	96.60	+0.02	96.62	96.59	18580	161933

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.87	96.87	-	96.87	96.87	40	12492
Mar	96.87	96.87	-	96.88	96.86	694	14942
Apr	96.90	96.90	+0.01	96.90	96.90	100	767
May		96.89	-			0	3812

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.04	93.05	+0.01	93.08	92.99	25641	96786
Jun	93.56	93.60	+0.03	93.63	93.50	23806	74909
Sep	93.85	93.89	+0.04	93.93	93.79	8260	45972
Dec	93.93	94.05	+0.06	94.10	93.90	4208	33211

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.26	98.27	+0.01	98.28	98.24	3933	37023
Jun	98.25	98.25	+0.02	98.26	98.23	3308	25491
Sep	98.12	98.13	+0.02	98.14	98.10	875	11830
Dec	97.89	97.92	+0.02	97.89	97.89	10	6977

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.46	-			0	n/a
Jun		99.43	-			0	n/a
Sep		99.36	+0.02			0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.92	95.95	+0.04	95.95	95.92	622	10023
Jun	95.97	96.00	+0.04	96.00	95.97	759	5963
Sep	95.97	95.99	+0.03	96.00	95.97	230	3947
Dec	95.90	95.92	+0.03	95.93	95.90	97	4785

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.18	0.71	1.03	0.13	0.11	0.14
9325	0.07	0.52	0.83	0.27	0.17	0.19
9350	0.03	0.35	0.65	0.48	0.26	0.36

Est. vol. total, Calls 3546 Puts 1202. Previous day's open int., Calls 118622 Puts 73041

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.38	4.850	1.833	4777	5.446	18.99	487.1	410.5	21.72	4.204	1.802	3.954	2.941	362.8	2.500
Denmark	(DKr)	54.08	10	8.859	2.623	0.991	2584	2.945	10.27	263.5	222.0	11.74	2.274	0.975	2.138	1.591	196.2	1.352
France	(FFr)	61.05	11.29	10	2.961	1.119	2917	3.325	11.60	297.4	250.6	13.26	2.567	1.100	2.414	1.796	221.5	1.526
Germany	(DM)	20.62	3.813	3.378	1	0.378	985.1	1.123	3.917	100.4	84.65	4.478	0.867	0.372	0.815	0.606	74.80	0.515
Ireland	(I£)	54.56	10.09	8.937	2.646	1	2607	2.971	10.36	265.8	224.0	11.85	2.294	0.983	2.157	1.605	197.9	1.364
Italy	(L)	2.093	0.387	0.343	0.102	0.038	100.	0.114	0.398	10.20	8.593	0.455	0.088	0.038	0.083	0.062	7.593	0.052
Netherlands	(Fl)	18.36	3.395	3.008	0.890	0.337	877.2	1	3.488	89.44	75.38	3.987	0.772	0.331	0.726	0.540	66.61	0.459
Norway	(NKr)	52.65	9.734	8.623	2.553	0.965	2515	2.867	10	256.5	216.1	11.43	2.213	0.949	2.082	1.548	191.0	1.316
Portugal	(Es)	20.53	3.796	3.363	0.996	0.376	980.8	1.118	3.899	100.	84.28	4.458	0.863	0.370	0.812	0.604	74.47	0.513
Spain	(Pta)	24.36	4.504	3.990	1.181	0.446	1164	1.327	4.627	118.7	100.	5.290	1.024	0.439	0.963	0.716	88.37	0.609
Sweden	(SKr)	46.05	8.515	7.543	2.233	0.844	2200	2.508	8.747	224.3	189.0	10	1.936	0.830	1.821	1.354	167.1	1.151
Switzerland	(SFr)	23.78	4.398	3.896	1.153	0.436	1136	1.295	4.518	115.9	97.64	5.165	1	0.429	0.940	0.700	86.28	0.595
UK	(£)	55.49	10.26	9.089	2.691	1.017	2651	3.022	10.54	270.3	227.8	12.05	2.333	1	2.194	1.632	201.3	1.387
Canada	(C$)	25.29	4.676	4.143	1.227	0.464	1208	1.377	4.804	123.2	103.8	5.492	1.063	0.456	1	0.744	91.75	0.632
US	($)	34.00	6.287	5.569	1.649	0.623	1624	1.852	6.458	165.6	139.6	7.384	1.430	0.613	1.344	1	123.3	0.850
Japan	(Y)	27.57	5.097	4.515	1.337	0.505	1317	1.501	5.236	134.3	113.2	5.986	1.159	0.497	1.090	0.811	100.	0.689
Ecu		40.01	7.397	6.553	1.940	0.733	1911	2.179	7.599	194.9	164.2	8.688	1.682	0.721	1.582	1.177	145.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6091	0.6085	-0.0008	0.6091	0.6068	14,897	82,018
Jun	0.6105	0.6124	-0.0006	0.6124	0.6105	14	5,175
Sep	-	0.6188	-	-	0.6175	104	2,234

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7040	0.7032	-0.0009	0.7041	0.7001	9,797	47,172
Jun	0.7080	0.7096	-0.0011	0.7110	0.7065	34	2,685
Sep	-	0.7215	-	-	0.7182	3	1,909

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8211	0.8160	-0.0054	0.8165	0.8144	15,220	76,094
Jun	0.8301	0.8265	-0.0056	0.8265	0.8250	209	3,015
Sep	-	0.8484	-	-	0.8445	3	656

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6200	1.6314	+0.0108	1.6340	1.6276	6,890	37,007
Jun	1.6260	1.6290	+0.0110	1.6290	1.6250	40	2,327
Sep	-	1.6270	+0.0126	1.6270	-	2	1,050

UK INTEREST RATES

LONDON MONEY RATES

Feb 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 2	6¼ - 6	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6½ - 6⅜	6¾ - 6⅝
Sterling CDs	-	-	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6¼	6[illegible] - 6[illegible]
Treasury Bills	-	-	5[illegible] - 5⅞	6 - 5[illegible]	-	-
Bank Bills	-	-	5[illegible] - 5[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6[illegible] - 6[illegible]	6⅞ - 6¾
Discount Market deps	6[illegible] - 5½	6[illegible] - 6[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 31, 5.9340pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.88pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Feb 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.67	93.64	-0.02	93.67	93.63	19720	102081
Jun	93.44	93.41	-0.02	93.45	93.37	19102	108353
Sep	93.23	93.20	-0.02	93.24	93.18	11584	71817
Dec	93.05	93.02	-0.02	93.07	93.00	7106	53109
Mar	92.93	92.89	-0.03	92.95	92.89	3603	39921

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.18	0.13	0.14	0.04	0.22	0.44
9375	0.03	0.05	0.07	0.14	0.39	0.62
9400	0	0.01	0.03	0.36	0.60	0.93

Est. vol. total, Calls 2902 Puts 11775. Previous day's open int., Calls 193958 Puts 147842

EMS EUROPEAN CURRENCY UNIT RATES

Feb 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.80278	+0.00122	-0.88	2.92	6
Portugal	197.398	195.759	+0.083	-0.83	2.86	6
Ireland	0.798709	0.737429	-0.003644	-7.67	10.49	52
Italy	1906.48	1918.98	-1.76	0.66	1.35	-5
Spain	163.826	164.969	-0.07	0.70	1.30	-5
Netherlands	2.16979	2.18994	+0.00937	0.93	1.07	-7
Denmark	7.34555	7.43675	+0.00971	1.24	0.78	-9
Germany	1.92573	1.94980	+0.00311	1.25	0.75	-12
Belgium	39.7191	40.2209	+0.0575	1.26	0.74	-9
Austria	13.5485	13.7200	+0.0203	1.27	0.74	-9
France	6.45863	6.58847	+0.00825	2.01	0.00	-17
NON ERM MEMBERS						
Greece	295.269	306.513	-1.295	3.81	-1.73	-
UK	0.793103	0.724753	-0.005498	-8.62	11.63	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.600	2.56	3.35	3.83	0.48	1.35	1.91
1.610	1.91	2.74	3.25	0.78	1.74	2.32
1.620	1.32	2.40	2.73	1.18	2.19	2.74

Previous day's vol., Calls 974 Puts 702. Prev. day's open int., Calls 32,090 Puts 49,215

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.605	0.64	1.03	1.32	0.32	0.62	0.81
0.610	0.38	0.76	1.05	0.55	0.85	1.05
0.615	0.22	0.56	0.83	0.88	1.14	1.33

Previous day's vol., Calls 212 Puts 418. Prev. day's open int., Calls 36,411 Puts 22,321

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.43	94.42	-0.02	94.43	94.42	30,800	403,637
Jun	94.32	94.31	-0.07	94.32	94.31	76,510	388,007
Sep	94.19	94.19	-0.12	94.19	94.17	58,179	289,239

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.97	94.97	+0.01	94.97	94.97	519	4,806
Jun	-	94.85	-	-	-	95	3,384
Sep	-	94.72	-	-	-	7	808

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9675	0.14	0.15	0.14	0.17	0.01	0.02	0.03	0.06
9700	0.01	0.02	0.03	0.04	0.13	0.14	0.17	0.18
9725	0	0	0	0.01	0.37	0.37	0.39	0.40

Est. vol. total, Calls 6855 Puts 6569. Previous day's open int., Calls 460241 Puts 296887

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.03	0.10	0.14	0.26	0.35	0.51
9875	0	0.04	0.06	0.48	0.54	0.68

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6325 Puts 2835

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk.	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

COMMODITIES AND AGRICULTURE

Conference on investment told that mining legislation should be changed

African countries urged to reform tax

By Mark Ashurst in Cape Town

African countries needed to make substantial changes to their tax regimes if they were to attract their fair share of foreign capital for mining projects, Mr Bobby Danchin, chairman of Anglo American Corporation's new mining business unit, said yesterday.

He suggested at the Investing in Africa conference in Cape Town that, in spite of big economic and political reforms throughout Africa in the past 10 years, the implementation of reforms to mining legislation and the removal of fiscal barriers still had a long way to go.

"There has been much talk about the establishment of an environment that encourages the exploitation and exploration of minerals," he said. "Here, especially, implementation lags far behind good intention.

"Africa is still uncompetitive on a global basis because of fiscal impositions." He insisted: "Governments should be aware of the very considerable amounts of direct revenue which will be raised from exploration, capital investment and mining operations. The key to attracting mining investment is to provide tax incentives on the various tax charges on mining profits."

Mr Dennis Tucker of Fleming Martin in Johannesburg, also told the conference that mining investment failed to reflect the continent's geological potential.

"Africa is headed on the straight and narrow with rapid moves aimed at turning its mineral wealth to account," he said "[But] it has still to get its fair share of worldwide investment."

In terms of exploration budgets, Africa, with an 11.9 per cent share, lagged behind Latin America (27.3 per cent), Australia (18.9 per cent) and Canada (13.1 per cent).

Investors recognised the potential in Africa and were paying between $36 and $113 a troy ounce for gold reserves owned by companies in the region. That compared with the $33 an ounce of reserves being paid for good quality South African producers and explained why South African companies were spending heavily on exploration elsewhere.

Mr Tucker estimated that the big South African groups would spend nearly $100m this year in Africa.

South African interest was motivated in part by the decline of the domestic gold industry, which had failed to sustain the productivity improvements required to offset rising costs at deep level mines.

Revenues had increased by a quarter last year, largely as a result of the weaker rand, but this had been eroded by a 20 per cent increase in production costs.

"Only the weak rand and strong rand gold price rescued income. The early productivity initiatives would not have bailed out the industry," said Mr Tucker.

● The bulk of global mining financing has shifted from its traditional base in London to Toronto, claimed Mr Michael Wilson, vice-chairman of RBC Dominion Securities, Canada's biggest investment bank, at a dinner held in connection with the conference. Canada had seen spectacular growth in equity fund raising for global mining projects.

Mr Wilson said mining equity finance raised on the Toronto Stock Exchange last year reached US$4bn, some 3.5 times more than the next global market, Australia, where the equivalent of US$1.1bn was raised.

Investment has failed to reflect the continent's potential

Cereal growers encouraged to save wildlife

By Alison Maitland

Leading conservation groups in the UK yesterday expressed enthusiasm for a government-funded pilot programme to encourage cereal farmers to change their practices to help save wildlife.

"This is really good news," said Mr Dick Potts, director general of The Game Conservancy Trust, an independent charity. "The scheme will mean there will be tens of thousands more birds, hundreds of thousands more wild flowers and millions more beneficial insects."

The programme provides a vision of reforms to the European Union's Common Agricultural Policy, which would switch funding from cereal production to environmental objectives.

There have been serious declines in many species of farmland wildlife in the past 25 years. The population of the tree sparrow has dropped by 89 per cent, grey partridge by 82 per cent, and lapwing by 62 per cent.

Mr Potts said large-scale cereal growers would be compensated for losses in direct support payments from Brussels for the small reduction in the area they cultivated with crops.

They would need to make only minor adjustments. These include: leaving cereal stubble in some fields rather than ploughing it in; reviving the practice of sowing a grass and clover mix which remains in the field once spring-planted cereals are harvested; avoiding spraying borders of fields with herbicides and insecticides; and keeping narrow strips across fields unsprayed.

These measures would encourage insects and provide food and shelter for wildlife. "It's a brilliant integrated package," said Mr Potts. He said research to be published shortly showed that chemical sprays were not universally harmful for wildlife.

"The problem with herbicides is in removing a handful of species of broad-leaved weeds which support important insects," he said. "Fungicides by-and-large are OK. Insecticides have no adverse impact in the autumn but they do in the summer."

The Royal Society for the Protection of Birds welcomed the programme and changes to the Environmentally Sensitive Areas scheme to encourage arable farmers to keep stubble in the interests of birds.

Newsprint producers delay rise in prices

By Robert Gibbens in Montreal

Four big Canadian newsprint producers, facing customer resistance, have delayed a US$75 a ton price increase to March 1.

The increase to US$575 had been due to come into force on February 1. The companies – Avenor, Stone-Consolidated, Abitibi Price and Donohue Market – said conditions were not yet right for the increase.

Analysts believe the rise will not take hold fully until late summer because North American inventories are still relatively high.

"The newsprint market is not ready for the $75 increase now, but it should stick by March 1," said Mr Rick Petersen, a senior Avenor sales executive.

He said inventories were down at publisher and producer levels after long mill shutdowns over Christmas and New Year at all big Canadian producers.

Newsprint prices usually follow softwood pulp trends, and pulp producers see a firming trend, with strong Asian demand helping to absorb world supplies.

North American softwood kraft (BNSK) is expected to rise from $525-$550 a tonne to $650 by the end of the year, said Mr Frank Dottori, president of Tembec, an eastern Canada producer of speciality pulps exported worldwide.

But many insist the newsprint market will not take the full 15 per cent increase on March 1. Mr John Miller, analyst with Canaccord Capital, said a $30 increase is more likely to stick.

Investors, however, are taking a more optimistic view on the outlook for newsprint producers after last year's market sell-off. Avenor, Stone, Donohue and Abitibi shares are all near their 52-week highs.

Copper's rise leads general increase in LME prices

MARKETS REPORT

By Kenneth Gooding, Susanna Voyle and Robert Corzine

Copper for immediate delivery on the London Metal Exchange rose 3½ per cent and led a general increase in LME prices. The premium for copper for immediate delivery over three-month metal moved back above $200 a tonne, to $215, and three-month copper was $2,240 at the close, up $36 a tonne from Tuesday's close.

Traders suggested the market's tightness could continue for another two weeks.

Zinc burst through a technical resistance point to reach $1,190 a tonne, but eased back to close at $1,184, up $15. At the American Zinc Association conference, Mr Geoff Mason, analyst with the CRU International consultancy, said the price might jump to $2,000 in the next two years. He expected zinc for immediate delivery to reach $1,400 by this time next year and $1,600 in 1998.

On the London bullion market gold traded below $343 a troy ounce for the first time in 46 months, touching $342.25 at one point. Some traders suggested aggressive selling by Australian producers anxious to lock in forward prices prompted the downward momentum. At the afternoon "fix" in London gold was $343.40, compared with $345.70 at the Tuesday afternoon "fix".

Mr Larry Kaplan, analyst at Flemings Global Mining Group, said: "Sentiment remains weak. Investors could well remain cautious about re-entering the market until they are convinced that prices have bottomed."

Shipping rates rose yesterday, with the Baltic Freight Index rising 12 points to 1,387. The index, a reflection of the dry cargo shipping market, has been falling because of oversupply of vessels.

Mr Basil Mavroleon, chairman of the Baltic Freight Index committee, said the index had moved up because Atlantic Panamax grain rates were firmer. He said he expected the improvement to last in the short term.

However, Clarkson Wolff, the shipping broker, said the market remained confused about future direction. "It is not clear whether this is 'spot' booking before the Chinese New Year Holidays, or this is the start of a sustained recovery in the market," it said.

Oil prices were flat for much of yesterday's trading after the latest report on US crude and refined product inventories failed to give the market a firm lead.

Brent Blend for March delivery was quoted at $22.41 a barrel in late London trading, 2 cents down on its close on Tuesday.

American Petroleum Institute figures showed a 4.1m barrel drawdown in middle distillate stocks, including heating oil – one of the main influences on the direction of oil and product markets over the past three months. But the data also showed stocks above the level of a year ago, suggesting there is increasingly adequate cover for any late cold spell.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1605-06	1629-30
Previous	1598.5-9.5	1623-4
High/low	1595/1594	1635/1615
AM Official	1594-94.5	1618-19
Kerb close		1631-32
Open int.	247,549	
Total daily turnover	63,324	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1515-20	1535-38
Previous	1500-05	1525-30
High/low		1540/1526
AM Official	1500-10	1526-28
Kerb close		1535-40
Open int.	5,377	
Total daily turnover	2,129	

■ LEAD ($ per tonne)

Close	674-75	682.5-83.0
Previous	666.5-7.5	677-8
High/low	669/668	683/676
AM Official	668-68.5	676-77
Kerb close		681-82
Open int.	37,040	
Total daily turnover	6,380	

■ NICKEL ($ per tonne)

Close	7690-700	7790-800
Previous	7590-600	7690-700
High/low		7840/7690
AM Official	7595-600	7696-97
Kerb close		7810-15
Open int.	51,101	
Total daily turnover	12,661	

■ TIN ($ per tonne)

Close	5810-15	5865-75
Previous	5800-10	5860-70
High/low		5885/5850
AM Official	5790-95	5850-55
Kerb close		5870-80
Open int.	15,285	
Total daily turnover	2,548	

■ ZINC, special high grade ($ per tonne)

Close	1167.5-69.5	1186-88
Previous	1151.5-2.5	1171-2
High/low	1151.5	1190/1171
AM Official	1151-51.5	1171-71.5
Kerb close		1183-84
Open int.	88,769	
Total daily turnover	19,965	

■ COPPER, grade A ($ per tonne)

Close	2449-53	2237-38
Previous	2365-70	2199-200
High/low	2393/2370	2240/2202
AM Official	2394-95	2213-15
Kerb close		2239-40
Open int.	148,166	
Total daily turnover	99,043	

■ LME AM Official £/$ rate: 1.6292
LME Closing £/$ rate: 1.6365

Spot: 1.6377 3 mths: 1.6349 6 mths: 1.6314 9 mths: 1.6283

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	110.00	+4.50	110.10	105.60	385	2,321
Mar	108.75	+4.75	108.80	103.90	7,761	22,822
Apr	108.75	+4.00	107.00	103.40	25	1,277
May	105.05	+3.75	105.10	101.25	394	7,095
Jun	104.10	+3.50	104.20	101.00	16	792
Jul	103.05	+3.25	103.20	100.00	31	4,584
Total					8,768	51,138

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	343.00-343.40		
Opening	343.30-343.70		
Morning fix	343.15	211.260	489.915
Afternoon fix	343.40	210.326	490.135
Day's High	344.30-344.70		
Day's Low	341.90-342.30		
Previous close	345.90-346.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.67 6 months 3.92
2 months ....3.74 12 months 3.91
3 months 3.86

Silver Fix	p/troy oz.	US cts equiv.
Spot	298.45	485.50
3 months	302.50	491.20
6 months	306.75	497.20
1 year	315.70	509.50

Gold Coins	$ price	£ equiv.
Krugerrand	346-48	212-213
Maple Leaf	-	
New Sovereign	81-84	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	345.6	-	345.9	343.9	1,346	6,064
Apr	346.4	-	346.7	344.3	29,890	94,509
Jun	348.6	-	349.0	346.9	963	23,179
Aug	351.0	-	351.0	349.6	149	8,752
Oct	353.4	-0.1	353.0	352.0	55	3,563
Dec	355.9	-0.1	355.9	354.3	558	18,326
Total					33,115	191,347

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	356.1	+1.2	356.4	354.0	1,925	20,423
Jul	358.2	+1.1	357.5	356.5	10	3,422
Oct	360.3	+0.9	359.0	359.0	18	2,277
Jan	362.6	+0.8	361.3	361.3	3	1,082
Total					1,364	9,347

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	129.75	+0.05	130.00	129.10	1,149	6,929
Jun	131.05	+0.05	131.25	130.50	205	2,038
Sep	132.25	+0.05	-	-	-	380
Dec	133.50	+0.05	-	-	2	20
Total					1,354	9,347

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	485.6	+1.6	490.0	481.5	26	14
Mar	487.2	+1.5	489.5	481.0	9,487	55,857
May	491.8	+1.5	494.5	488.5	316	13,062
Jul	496.3	+1.5	498.0	493.5	67	8,946
Sep	500.9	+1.5	502.0	498.5	29	3,000
Dec	507.8	+1.6	507.0	504.5	16	4,929
Total					9,915	90,098

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	24.11	+0.09	24.23	23.80	41,365	76,291
Apr	23.71	+0.10	23.80	23.41	18,747	44,192
May	23.24	+0.08	23.32	23.04	6,231	27,208
Jun	22.84	+0.09	22.92	22.62	3,684	33,231
Jul	22.54	+0.15	22.55	22.29	1,553	16,150
Aug	22.15	+0.07	22.20	22.02	1,082	13,645
Total					78,908	358,733

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.56	+0.13	22.63	22.34	12,765	44,395
Apr	22.11	+0.13	22.15	21.88	7,495	40,629
May	21.70	+0.15	21.71	21.49	1,613	18,304
Jun	21.33	+0.16	21.35	21.13	848	16,937
Jul	20.97	+0.14	20.97	20.83	401	12,232
Aug	20.78	+0.24	20.78	20.57	168	3,118
Total					23,987	152,168

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	64.15	-0.03	64.65	63.80	26,256	38,946
Apr	62.05	+0.14	62.40	61.65	11,308	15,852
May	60.10	+0.14	60.45	59.80	3,548	5,856
Jun	59.00	+0.19	59.15	58.60	2,340	7,083
Jul	58.75	+0.54	58.75	58.35	233	3,836
Aug	58.80	+0.34	58.80	58.70	88	3,105
Total					44,786	91,546

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	201.00	-2.00	203.50	198.00	6,290	18,757
Mar	193.00	-1.50	194.75	191.75	4,464	16,267
Apr	189.00	-1.25	190.75	188.75	1,906	8,777
May	186.25	-0.50	187.00	186.25	699	3,746
Jun	185.00	-0.25	185.50	184.50	1,204	7,839
Jul	185.00	-0.25	185.00	184.75	47	2,482
Total					16,442	66,873

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.435	-0.062	2.520	2.400	17,361	33,592
Apr	2.225	-0.044	2.260	2.200	5,652	18,598
May	2.125	-0.023	2.160	2.110	2,372	14,420
Jun	2.110	-0.015	2.125	2.100	845	9,150
Jul	2.115	+0.070	2.125	2.100	1,005	8,999
Aug	2.115	+0.060	2.130	2.100	574	7,859
Total					30,531	159,126

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	68.45	+0.14	68.70	67.25	10,229	30,236
Apr	69.80	-0.03	70.20	69.05	4,235	14,496
May	69.45	+0.02	69.80	68.95	2,348	10,421
Jun	68.35	+0.15	68.60	67.90	902	6,783
Jul	66.35	-0.10	66.35	66.10	121	3,953
Aug	64.70	+0.15	64.70	64.25	103	3,423
Total					18,001	70,580

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.55	-0.90	93.00	92.50	207	1,371
May	94.75	-0.95	95.45	94.70	524	3,130
Jul	96.75	-0.96	97.00	96.70	55	550
Sep	91.00	-0.75	-	-	-	17
Nov	93.00	-0.75	93.50	93.00	134	1,276
Jan	95.00	-0.75	95.50	95.50	32	135
Total					958	6,479

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	361.50	+3.75	362.00	356.00	8,564	27,370
May	352.50	+3	353.00	347.00	2,223	11,004
Jul	341.75	+2.5	342.50	336.00	3,725	25,734
Sep	344.50	+2.5	344.50	339.00	88	1,741
Dec	354.25	+3.25	355.00	349.50	332	1,973
Jul	341.00	-	341.00	341.00	44	154
Total					14,930	67,822

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	272.50	+2	272.75	270.00	29,534	118,312
May	271.50	+2.5	271.75	268.50	9,146	72,970
Jul	270.50	+2.5	270.75	267.50	8,448	68,622
Sep	266.25	+2	266.50	264.00	783	10,191
Dec	267.75	+2.25	268.00	265.25	2,338	45,071
Mar	273.25	+2.25	273.25	270.50	215	3,109
Total					50,579	321,217

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.25	-0.75	94.25	93.75	8	278
May	94.00	-0.75	94.25	94.25	9	164
Sep	90.50	-0.50	-	-	-	28
Nov	92.50	-0.50	92.50	92.50	10	273
Jan	94.50	-0.50	-	-	-	2
Total					11	745

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	739.50	+2.5	740.00	731.50	25,591	73,329
May	738.50	+3.5	739.00	731.00	7,625	38,288
Jul	738.75	+3.5	739.25	731.50	6,360	35,078
Aug	735.25	+3.25	735.50	729.00	206	5,246
Sep	709.25	+3.5	709.50	704.00	517	1,672
Nov	686.75	+4.5	687.00	682.00	2,178	17,867
Total					42,520	172,105

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	23.99	+0.13	24.05	23.61	5,099	39,263
May	24.35	+0.11	24.44	24.00	1,394	19,993
Jul	24.72	+0.08	24.80	24.43	1,023	15,430
Aug	24.85	+0.06	24.85	24.60	45	3,188
Sep	24.95	+0.05	25.00	24.75	74	2,515
Oct	25.20	+0.13	24.95	24.95	20	843
Total					7,840	88,240

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	235.9	+0.3	236.0	234.0	8,572	34,862
May	230.7	+0.4	231.0	229.2	3,135	23,526
Jul	229.6	+0.8	229.8	228.1	2,314	19,349
Aug	226.8	+0.7	227.5	226.0	893	3,720
Sep	222.5	+0.8	222.5	221.0	180	2,939
Oct	214.2	+1.5	215.0	213.0	10	1,085
Total					15,242	88,215

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	53.0	+1.0	-	-	-	-
Apr	58.0	+2.2	58.0	56.0	19	1,134
May	63.0	+1.5	62.0	62.0	-	134
Jun	74.5	+1.0	-	-	-	-
Nov	65.5	+1.0	-	-	-	2
Apr	116.0	+3.0	116.0	114.0	15	587
Total					36	1,857

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1375	+2	-	-	110	838
Feb	1450	+40	1450	1420	64	478
Mar	1500	+49	1500	1460	74	576
Apr	1526	+36	1530	1480	111	998
Jul	1285	+25	1290	1265	30	581
Oct	1410	+20	1410	1400	22	173
Total					301	2,856

	Close	Prev
BFI	1387	1375

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds Prices from Kenkko US$ a tonne. **Iranian pistachios** 28/30 raw (in shell) naturally opened (round): RPPC new crop prices up at 4,050 CFR; very few long type. **Walnuts:** US shelled LHP, 6,300 FAS California; East European LHP mix, 4,500 CPT Europe. **Turkish hazelnuts** standard No 1: price idea between 4,700 and 4,800 CFR; US inshell at 2,200 FOB. **Turkish apricots** number two: up at 3,360 CFR. **Indian cashews** raw W-320: 5,700 CFR EMP firm: spot goods at 5,800 FCA Rotterdam; new crop shipment from April 1997 W320 at 5,550. **US pecans** fancy junior mammoth halves: firm at 5,200 FOB, few goods available. **Coconut:** CFR at 1,500 for top Philippine goods, stable; spot at 1,600. **Pinekernels:** Pakistan at 11,000 very good crop.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	854	-47	892	855	1,970	30,138
May	880	-44	914	879	3,692	25,681
Jul	903	-39	934	904	1,627	11,259
Sep	922	-36	953	924	492	12,684
Dec	940	-34	964	938	492	11,389
Mar	960	-8981	988	960	2,632	17,659
Total					13,497	48,819

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1272	-22	1293	1268	6,839	18,444
May	1308	-18	1323	1302	4,803	25,042
Jul	1334	-20	1350	1331	828	14,182
Sep	1362	-17	1379	1360	313	9,096
Dec	1386	-14	1403	1388	348	4,347
Mar	1409	-15	1420	1411	100	12,594
Total					13,234	89,211

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb 5		
Daily	1016.68	1023.07

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1500	-37	1500	1475	170	493
Mar	1535	-23	1552	1528	1,230	17,891
May	1533	-25	1558	1528	1,514	20,685
Jul	1542	-24	1569	1540	430	6,518
Sep	1535	-25	1560	1541	232	2,372
Nov	1530	-30	1555	1538	170	1,209
Total					3,842	48,819

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	144.55	-2.90	148.00	144.25	8,569	22,200
May	139.20	-3.35	142.75	139.00	6,121	11,680
Jul	136.15	-3.25	139.50	136.00	1,073	5,042
Sep	132.50	-3.25	135.55	132.00	544	3,117
Dec	127.65	-3.25	130.40	127.25	242	2,166
Mar	124.00	-3.65	126.90	125.00	29	578
Total					16,578	44,913

■ COFFEE (ICO) (US cents/pound)

Feb 4		Prev. day
Comp. daily	113.11	111.65
15 day average	105.82	104.66

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	303.5	+3.9	303.6	300.4	5,334	8,824
May	301.3	+3.1	301.7	298.6	2,413	9,127
Aug	301.6	+2.1	301.7	299.5	55	3,228
Oct	297.6	+1.9	297.5	297.5	20	2,290
Dec	299.0	+1.7	299.7	297.8	13	632
Mar	300.3	+2.3	301.7	300.0	10	410
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.58	+0.14	10.62	10.49	7,688	61,728
May	10.52	+0.13	10.54	10.43	2,607	37,418
Jul	10.39	+0.09	10.42	10.34	519	27,883
Oct	10.36	+0.06	10.40	10.33	1,609	19,089
Mar	10.37	+0.02	10.40	10.35	435	6,448
May	10.40	+0.01	10.42	10.40	10	1,117
Total					12,868	154,275

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.85	+0.34	75.20	74.25	2,193	20,501
May	76.28	+0.36	76.60	75.77	1,434	19,393
Jul	77.25	+0.30	77.49	76.80	404	8,813
Oct	77.25	+0.25	77.35	76.95	56	1,450
Dec	77.31	+0.26	77.40	76.95	402	12,426
Mar	78.20	+0.37	78.00	78.00	20	788
Total					4,511	63,926

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	86.55	+2.40	87.70	84.30	2,166	15,117
May	89.55	+2.25	90.45	87.30	540	7,478
Jul	92.80	+2.30	93.50	90.50	509	2,756
Sep	95.85	+2.30	96.10	93.60	127	2,217
Nov	97.35	+2.30	97.25	95.60	64	436
Jan	98.85	+2.30	97.00	96.50	40	188
Total					3,407	28,303

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 5	Feb 4	month ago	year ago
1948.3	1943.5	1890.0	2148.3

■ CRB Futures (Base: 1967 = 100)

Feb 4	Feb 3	month ago	year ago
238.66	238.69		

■ GSCI Spot (Base: 1970 = 100)

Feb 4	Feb 3	month ago	year ago
205.32	203.82	228.86	195.44

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.750	+0.025	64.250	63.700	3,880	12,266
Apr	65.550	+0.100	65.900	65.400	11,666	43,221
Jun	64.175	-0.250	64.575	64.100	2,170	15,269
Aug	64.150	-0.075	64.425	64.075	1,677	17,109
Oct	67.350	-0.075	67.625	67.300	909	10,384
Dec	69.475	-0.225	69.775	69.425	309	4,266
Total					20,689	104,559

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	75.500	+0.025	75.900	75.300	2,276	5,387
Apr	74.800	+0.025	75.150	74.350	4,735	14,596
Jun	79.650	-0.125	80.000	79.300	1,495	8,148
Jul	77.750	+0.100	78.000	77.450	262	1,708
Aug	74.750	+0.125	74.850	74.325	257	1,783
Oct	67.875	-0.025	67.900	67.900	48	1,404
Total					9,257	34,314

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	77.325	-0.475	78.500	76.950	789	2,161
Mar	76.450	-0.800	77.600	76.100	575	2,403
May	77.150	-0.450	78.450	77.000	252	2,911
Jul	77.075	-0.275	77.750	77.000	166	688
Aug	74.000	-0.150	74.000	74.000	24	456
Total					1,806	8,619

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1600	46	83	22	51
1650	22	58	48	76
1700	9	39	84	106
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
2200	119	109	19	94
2250	57	68	57	150
2300	21	39	121	220
■ COFFEE LIFFE	Mar	May	Mar	May
1450	101	142	16	59
1500	64	113	29	80
1550	38	89	53	106
■ COCOA LIFFE	Mar	May	Mar	May
900	1	19	47	39
925	-	13	71	58
950	-	9	96	79
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
2250	-	-	-	27
2300	-	13	-	65
2350	30	4	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.27-0.45w	-0.025
Brent Blend (dated)	$22.70-2.72	+0.040
Brent Blend (Mar)	$22.78-2.90	
W.T.I.	$23.91-3.93w	-0.060

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$227-229	
Gas Oil	$200-201	-2.5
Heavy Fuel Oil	$96-98	+1
Naphtha	$228-231	+3
Jet fuel	$222-224	-2
Diesel	$213-215	-3

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	12.00-12.50	-0.50

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

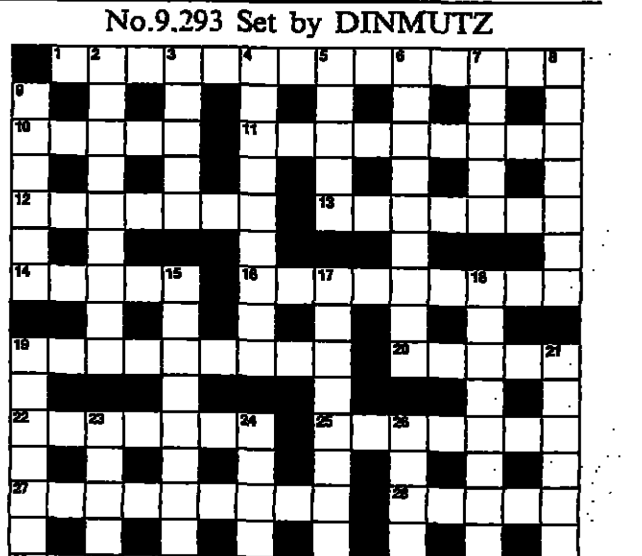
Gold (per troy oz)♣	$343.20	-2.85
Silver (per troy oz)♣	485.50c	-2.50
Platinum (per troy oz.)	$351.75	-1.25
Palladium (per troy oz.)	$126.75	-1.25
Copper	114.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.31r	+0.04
Tin (New York)	271.50	
Cattle (live weight)	102.25p	+0.68*
Sheep (live weight)	141.98p	+0.36*
Pigs (live weight)†	74.42p	-0.72*
Lon. day sugar (raw)	$257.80	+1.10
Lon. day sugar (wte)	$303.50	0.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	77.00p	-0.50
Rubber (Mar)♥	77.00p	-0.50
Rubber (KL RSS No1)	302.0x	+1.5
Coconut Oil (Phil)§	785.0y	
Palm Oil (Malay.)§	582.5y	
Copra (Phil)§	$500.0y	
Soyabeans (US)	208.0x	
Cotton Outlook'A' Index	80.75	+0.25
Wooltops (64s Super)	407p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,240 head of pigs sold. ♦ New month of January

JOTTER PAD

CROSSWORD

No.9,293 Set by DINMUTZ



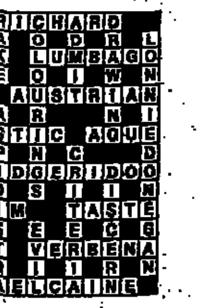
ACROSS

1 Immoderation of uncovered Elgin pieces (14)
10 Knit and make headlines? (5)
11 Diving bird's sin, having swallowed mole perhaps (9)
12 Six in game? That's incontestable! (7)
13 Wolf in French ravine (7)
14 Day at Bank of France as an excursion (5)
16 For his plans, see the Arctic Circle (9)
19 Pipes fitted in cold theatres, perhaps? (9)
20 Spirit in Barnet hospital? (5)
22 Property in New England, for example (7)
25 As little known as J. Fawley (7)
27 Greek host, commonly? (3,6)
28 Turner's city article (5)
29 Ilium revisited and rebuilt with authenticity (14)

DOWN

2 Stern, say, with bow close to bridge? (9)
3 Dutch house, roofless, in field (5)
4 To bargain, get a toe in opening (9)
5 Almost agreed to marry (5)
6 Get mostly brown coal which is explosive (9)
7 States briefly who officiates at baptism? (5)
8 Ask earnestly in French to join banquet (7)
9 Tread on toes of cricket-side at final (6)
15 Dislodgements of people well up? (9)
17 Copper's to face term of imprisonment (9)
18 Having squandered, he used tax to make good (9)
19 Dramatist reported to mark list of arrivals with tick (7)
21 Ugly rows in Whitehall, for example (6)
23 Judge, one who does his best (5)
24 Location of witch-hunt in which males turned out (5)
26 Rent in Adriatic port is divided (5)

Solution 9,292



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Fwd Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414181 00 352 250404236
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Sales Charge	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum		A$19.426		+0.008	5.00
ASch Accum		Sch250.41		+0.04	2.00
C$ Accum		C$18.621		+0.003	2.70
DM Accum		DM38.539		+0.006	1.90
DFl Accum		Dfl31.817		+0.004	1.70
ECU Accum		Ecu13.811		+0.004	3.00
FFr Accum		FFr67.487		+0.011	2.10
HK$ Accum		HK$122.73		+0.07	4.30
Lira Accum		L24072		+12	6.30
NZ$ Accum		NZ$40.772		+0.020	6.90
NKr Accum		NKr113.45		+0.07	2.00
S$ Accum		S$26.195		—	1.90
SPta Accum		Pta2780.3		+1.70	5.20
£ Accum		£13.318		+0.005	5.10
SKr Accum		SKr122.23		+0.03	2.90
SFr Accum		SFr28.433		+0.001	0.40
US$ Accum		$23.619		+0.009	4.40
Yen Accum		Y2891.2		—	0.10

Prices for dealing February 5

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall Model Umbrella Fund Ltd

	Selling Price	Buying Price	+ or -	Yield
Eurobond	$10.14	10.98	+0.03	3.58
Money	$14.30	15.02	+0.02	3.00
Mortgage	£24.47	25.71	+0.02	7.14
North American	$15.19	15.93	-0.06	0.00
Overseas	$16.74	17.58	-0.49	0.00
Tiger	$17.61	18.50	-0.26	0.00
UK Small Cos	£1.46	1.54	—	0.00

Newport Investment Management
20 Reid St, PO Box HM 3395 Hamilton Bermuda

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 01481 707000
Prudential Money Funds Ltd

	Init Sales Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling		148.9	149.0	-0.2	6.87
Managed Dollar	5	$14.07	14.09	+0.03	6.65
Dollar Deposit		$10.10	10.10	—	3.70

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 715700

	Init Sales Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Five Arrows Latin Am Dist	5	$16.21	17.24	+0.43	0

Five Arrows International Bond Funds

	Init Sales Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FAIB £ Bond	3½	£22.09	22.79	+0.01	5.49
FAIB US$ Bond	3½	$33.40	34.52	+0.02	5.10
FAIB £ Global	3½	£17.24	17.82	-0.03	5.21
FAIB US$ Global	3½	$30.43	31.47	-0.00	4.87

Five Arrows International Reserves Ltd

	Price	+ or -	Yield
FAIRL £	£95.714	+0.016	5.95
FAIRL A$	A$50.83	+0.009	4.90
FAIRL C$	C$96.939	+0.015	1.87
FAIRL DFl	DFl100.950	+0.014	1.75
FAIRL DKr	DKr401.3	+0.080	2.35
FAIRL DM	DM88.506	+0.016	1.90
FAIRL ECU	Ecu32.212	+0.006	3.84
FAIRL BFr	BFr2852.92	+0.310	1.87
FAIRL FM F	FM301.445	+0.045	1.89
FAIRL FFr	FFr448.618	+0.081	2.20
FAIRL HK$	HK$163.61	—	4.26
FAIRL Lira	L146898	+78.0	6.47
FAIRL NZ$	NZ$47.413	—	6.20
FAIRL Nkr F	NKr402.881	-0.059	2.89
FAIRL S$	S$97.87	+0.003	1.32
FAIRL R F	R311.050	+0.342	14.27
FAIRL Pta	Pta4568.75	+1.95	5.36
FAIRL SF	SFr77.431	+0.004	0.61
FAIRL SKr	SKr204.86	+0.050	3.02
FAIRL U.S.$	$83.578	-0.822	4.38
FAIRL Yen	Y16114.08	—	0.00
FAIRL Man £	£36.503	+0.003	3.95
FAIRL Man DM	DM88.863	+0.058	1.81
FAIRL Man $	$31.758	+0.009	3.18
FAIRL Man Int	$21.032	-0.005	1.65

Five Arrows Currency Fund Ltd

	Price	+ or -	Yield
FACFL £	£10.129	+0.004	4.95
FACFL A$	A$15.205	+0.000	4.90
FACFL C$	C$20.094	+0.003	1.75
FACFL DFl	DFl50.222	+0.007	1.43
FACFL DKr	DKr150.98	+0.030	2.42
FACFL DM	DM40.203	+0.006	1.89
FACFL ECU	Ecu16.117	+0.004	2.85
FACFL BFr	BFr603.80	+0.120	1.89
FACFL FM F	FM70.347	+0.011	1.90
FACFL FFr	FFr100.545	+0.017	2.06
FACFL HK$	HK$101.18	—	4.30
FACFL Lira	L25442	+13.5	6.43
FACFL NZ$	NZ$25.498	—	6.26

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

	Selling Price	+ or -	Yield
Japan Emerging Cos	£0.5100	-0.0036	-
Japan Emerging Cos	$0.8293	-0.0060	-
Japan Emerging Cos Yen	Y102.1	+0.2	-
Japan Small Co's	£1.048	-0.018	0.00
Japan Small Co's US$	$1.698	-0.023	-
Latin American	£1.517	+0.050	-
Latin American US$	$2.452	+0.085	-
MFS Index Linked Bond	£1.053xd	+0.001	-
MFS Sterling Bond	£1.058xd	+0.003	-
Overseas Assets	£1.752	+0.028	-
Reserve Assets Bond	£0.9958xd	+0.0087	6.5
Selector UK	£1.632	+0.005	-
Selector UK US$	$2.861	+0.011	-
US Small Company	£1.661	-0.037	-

	Selling Price	Buying Price	+ or -	Yield
Malay Sing	$153.63	161.32	—	0.00
Nth American	$45.58	47.86	—	0.00
Octopus Fund	$45.31	47.58	—	0.00
Pacific Fd	$117.71	123.60	—	0.00
International Bond	$20.30	21.32	—	5.00
Europa Fund	$24.57	25.80	—	0.00
Tristar Warrant	$37.95	39.85	—	0.00
Hong Kong	$159.81	167.81	—	0.00
Global Emerging Mkts	$11.88	12.48	—	0.00
Latin America	$15.15	15.91	—	0.00
Currency Fd-US Dollar	$18.41		—	4.87
Curr Fd-Managed $	$57.37	60.25	—	4.50
Korea Feeder Fund	$6.03	6.34	—	0.00
Europe Select Feeder	$1.077	1.137	(z)	0.00

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000
Murray Global Accumulation Fund Plc

	Selling Price	+ or -	Yield
Murray Floorplate Bond 2	105.26	+0.08	6.09

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 790 2400

	Selling Price	+ or -	Yield
Odey European Gth Inc	DM181.35	—	-
Odey European Gth Acc	DM182.22	—	-
Odey European Gth Inc	£66.45	—	-
Odey European Gth Acc	£68.74	—	-

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield
Umbrella Fund Inc	$12.93	13.32	—	0.00
Pacific Emerging 94 A	$70.53		—	0.00
Pacific Emerging 94 B	$88.48		—	0.00
Latin America	$8.42		—	0.00
Taiwan Fund NAV	$11.17		—	0.00

Berkshire KITC Growth Fund Plc

	Selling Price	+ or -	Yield
NAV	$5.94	+0.08	-

Berkshire Korea Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
ABN AMRO Funds (u)						
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320						
Latin America Equity			$56.03	58.87	—	-
North America Equity			$86.06	90.12	—	-
Asian Tigers Equity			$65.41	67.07	—	-
Europe Equity			[illegible]	80.35	—	-
Germany Equity			[illegible]	153.68	—	-
Japan Equity			$42.62	43.05	—	-
Europe Bond			[illegible]	63.98	—	-
US Bond			$58.65	58.80	—	-
Global Bond			$82.01	82.77	—	-
Germany Bond B			[illegible]	111.47	—	-
Spain Bond			[illegible]	10453	—	-
Eastern Europe Equity F			[illegible]	236.65	—	-
China Equity F			$66.21	67.04	—	-
Switzerland Equity			[illegible]	140.62	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$3.979		-0.005	-
United States Portfolio			$5.556xd		+0.014	-
Cont Europe Portfolio		D	DM7.413		-0.006	-
Japan Portfolio			[illegible]		-0.002	-
Pacific Portfolio			[illegible]		-0.037	-
Gold Portfolio			$5.946		-0.019	-
UK Growth of Income			22.242xd		+0.002	3.61
Dollar Portfolio			$1.597xd		—	7.03
Sterling Portfolio			£1.061xd		+0.001	6.30
Aetna Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 479 98500						
Australasian NAV			A$17.09		-0.15	-
Austrian Nat NAV			Sch86.77		-0.13	-

	Init Charge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
Fidelity Funds - Contd.						
Bond Funds						
European			Ecu11.61		—	4.94
International			$1.032		—	5.43
US Dollar			$5.567		+0.011	5.47
Sterling			£0.254		+0.001	7.12
Balanced						
European Balanced			DM14.17		+0.03	1.82
Prices as at February 4						
Fleming Group (u)						
8 Route De Treves L-2633 Senningerberg Luxembourg						
00 352 34101 or 0800 969 284						
Internet: http://www.flemings.lu/						
Fleming Flagship Fund (daily dealing)						
FFF American			$58.30	59.56	+0.04	-
FFF Asian Red Dragon F			$64.78	68.51	-0.48	-
FFF Asian Smaller Cos F			$10.97	17.29	+0.02	-
FFF China			$15.90	16.82	+0.14	-
FFF Continental Europe F			[illegible]	44.58	+0.21	-
FFF DM Balanced F		5	[illegible]	12.14	+0.03	-
FFF DM Bond		3	[illegible]	11.56	+0.01	6.50
FFF Eastern European F			[illegible]	31.44	+0.26	-
FFF Eastern Opps			$23.34	24.69	+0.05	-
FFF Emerging Markets F			$10.08	10.65	+0.02	-
FFF European			[illegible]	42.99	+0.06	-
FFF European Smlr Cos F			[illegible]	28.97	+0.09	-
FFF Global Conv F			$18.02	19.07	+0.04	-
FFF India H			$8.81	9.32	+0.15	-
FFF Intl Bond F			$13.69	14.48	-0.02	-
FFF Intl Equity F			[illegible]	81.47	+0.13	-
FFF Japanese			$13.93	14.74	-0.23	-
FFF Japanese Smaller Cos F			$5.95	6.29	-0.06	-
FFF Latin American			$12.80	13.54	+0.02	-
FFF Pacific			$20.64	21.84	+0.11	-
FFF Sterling Bond			£1.074	1.136	-0.008	7.50

	Init Charge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
Mercury Asset Management S.A. - Contd.						
Asian Opps			$28.05	29.53	[illegible]	
European Opps			$35.93	37.83	[illegible]	
Global Opps			$11.51	12.12	[illegible]	
Japan Opps			$16.45	17.34	[illegible]	
North American Opps			$43.84	48.15	[illegible]	
United Kingdom Opps			£21.45	22.59	[illegible]	
DM Reserve			[illegible]	113.29	[illegible]	
Dollar Reserve			$107.64	107.05	[illegible]	
Sterling Reserve			£117.84	117.85	[illegible]	
Swiss Franc Reserve			[illegible]	108.43	[illegible]	
Mercury Offshore Stg Tst-SICAV (u)						
Global			£1.812	1.919	[illegible]	
Overseas			£1.953	2.068	[illegible]	
European			£2.468	2.610	[illegible]	
Japan			£0.737	0.780	[illegible]	
North American			£2.727	2.878	[illegible]	
Pacific			£2.327	2.476	[illegible]	
United Kingdom			£1.999	2.117	[illegible]	
Reserve			[illegible]	0.984	[illegible]	
Mercury World Bond Fund - SICAV (u)						
Mercury World Bond			$35.47	37.34	[illegible]	
Midland Intl Circuit Fund SICAV(u)						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						
UK Growth			£1.629	1.61		
European Growth			£1.859	1.850		
European Opps			$4.384	4.620		
Japan Growth			£0.66	0.695		
Japanese Opps			$1.702	1.792		
Pacific Growth			£2.08	2.19		
Nth American Growth			£1.951	2.054		
American Opps			$4.189	4.389		
UK Fixed Interest			£1.26	1.327		
Multicurrency Bond			£1.179	1.238		
UK Stg Liquidity			£0.921	0.971		

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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Old Mutual Guernsey - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Dollar Managed Funds				
[illegible] Intl Managed	$0.974	1.047	—	-
Pioneer Long Term Cons	$1.054	1.134	—	-
Pioneer Long Term Agg	$0.896	0.985	—	-
Pioneer Medium Term Agg	$1.003	1.078	—	-

Old Mutual Hong Kong

	Selling Price	Buying Price	+ or -	Yield Gross
Dollar Money Market	$0.989	1.084	—	-
Sterling Money Market	£1.028	1.105	—	-
International Fixed Interest	$1.102	1.185	—	-
UK Fixed Interest	£1.077	1.158	—	-
Dollar Managed	$1.069	1.150	—	-
Sterling Managed	£1.069	1.150	—	-
European Stockmarket	£1.369	1.472	—	-
International Stockmarket	$1.081	1.162	—	-
Pacific Stockmarket	$0.933	1.003	—	-
Emerging Asian Stockmarket	$1.066	1.146	—	-
Japanese Stockmarket	$0.741	0.797	—	-
Hong Kong Stockmarket	$1.465	1.578	—	-
Dollar Special Market	$0.969	1.042	—	-
Sterling Special Market	£0.946	1.017	—	-
Latin American Stockmarket	$1.199	1.289	—	-

Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stg Managed	£4.561	4.928	—	-
£ European Stockmkt	£5.647	6.072	—	-
£ UK Stockmkt	£5.399	5.806	—	-
£ Sterling Special Mkt	£4.494	4.832	—	-
£ UK Fixed Interest	£4.889	5.254	—	-
£ Stg Money Mkt	£3.005	3.231	—	-
£ Capital Guarantee	£1.731	1.862	—	-
$ Dollar Managed	$3.407	3.663	—	-
$ Intl Stockmkt	$4.542	4.884	—	-
$ US Dollar Bond	$1.380	1.484	—	-
$ Nth Am Stockmkt	$4.093	4.402	—	-
$ Japan Stockmkt	$1.329	1.429	—	-
$ Pacific Stockmkt	$4.949	5.322	—	-
$ Emerging Asian Stockmkt	$2.429	2.612	—	-

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	11⅞	-⅛	11⅞	8½	2,056	3.4	
Western Star Trucks		17⅜	-⅛	21⅝	14⅞	194.8	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21⅝	-⅛	*£31⅛	£20⅞	1,734	3.4	ϕ
Barlow	g	£5⅞xd	+⅛	£10⅛	£5⅛	1,383	2.2	14.0
Gold Fids Prop R	†	134	-1	170	130	13.7	6.6	10.1
JBK Props		65	----	95	60	2.61	13.4	-
SASOL	♥	645	----	710	517	3,777	1.7	-
SA Brews		£16⅝xd	+⅛	£25⅛	£13⅛	4,871	2.0	ϕ
Standard Bank		£25⅛	-⅛	£32⅛	£21	3,184	1.4	23.8
Tiger Oats		780	----	1282	770	1,188	2.3	15.6
Toongaat-Hulett		754¼xd	-6¼	1180	676¼	714.0	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
[illegible]
payment.
I Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other
[illegible]
1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

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LONDON STOCK EXCHANGE

FTSE 100 and SmallCap close at new peaks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

If there were lingering worries about the prospects of an interest rate rise in the UK they did not put off institutional buyers of UK stocks yesterday.

Both the FTSE 100 and FTSE SmallCap indices climbed to new intraday and closing highs, responding to a fresh flurry of local and overseas buying.

The only drag on the equity market came from gilts which, were a few ticks easier throughout the morning on anxiety about interest rates.

The performance of stocks across the board was all the more impressive given that sterling continued to gain ground, rising over one per cent against a basket *of leading currencies and* over three pfennigs, or 1.1 per cent against the D-mark.

The Bank of England left its money market dealing rates unchanged, signalling no alteration as yet in official interest rates after the latest meeting between Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, chancellor of the exchequer. Nor was there any change from the US where the Federal Reserve Open Market Committee finished its two-day *meeting to debate US monetary* policy.

The FTSE 100 index closed an active trading session up 20.6 at a new closing peak of 4,281.5 hav*ing moved to an intraday record* of 4,286.9 in mid-morning.

The FTSE SmallCap, meanwhile, was a further 4.9 ahead at a peak 2,319.0 after an intraday record of 2,319.1. The FTSE 250 joined in the market's upsurge, shrugging off its recent bout of underperformance and moving up 8.2 to 4,583.9. But it remained about 32 points away from its closing and intraday highs, recorded on January 23.

Sterling's strength was one factor behind the handful of losers in the FTSE 100, notably two of the market's big pharmaceutical stocks, Zeneca and SmithKline, whose shares have both been inflated by takeover speculation. *They were additionally weakened* by news that Roche of Switzerland, long seen as a potential bidder for either, had made an acquisition in the US, making a blockbusting bid less likely in the short term.

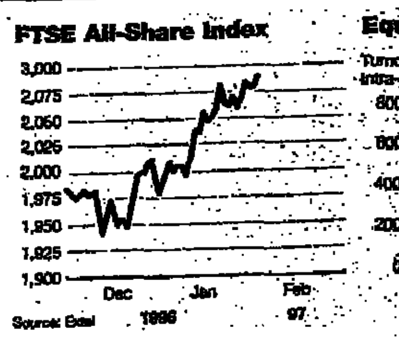
There was help for London too from Wall Street, where the Dow Jones Industrial Average opened sharply higher after news of the proposed merger of Morgan Stanley and Dean Witter, which will create the biggest investment bank/stockbroker in the world. Up 27 points overnight, the Dow was up 30 points not long after the opening.

The spate of profit warnings continued with MS International, *the engineering group*, and West 175 Enterprises both suffering heavy share price falls.

News that Prudential had joined the bidding queue for Scottish Amicable was seen as *only* the second shot in what promises to be an aggressive takeover battle. Other big financial sector bids are "almost a certainty", *according to one specialist.*

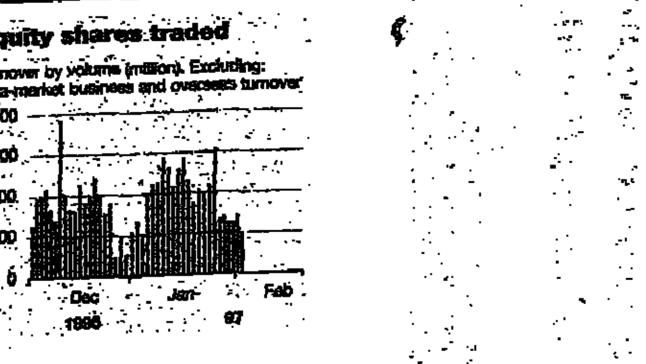
Turnover at 6pm yesterday was 800m shares. Customer business on Tuesday, excluding Crest transactions, was worth £666.3m.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4281.5	+20.6	FT 30	2845.8	+4.2
FTSE 250	4583.9	+8.2	FTSE Non-Fins p/e	18.80	18.75
FTSE 350	2116.6	+8.8	FTSE100 Fut Mar	4277.0	+22.0
FTSE All-Share	2089.61	+8.41	10 yr Gilt yield	7.30	7.27
FTSE All-Share yield	3.52	3.54	Long gilt/equity yld ratio	2.07	2.06

Best performing sectors

1 Telecommunications ....+1.7
2 Retailers: Food ....+1.7
3 Life Assurance ....+1.6
4 Utilities ....+0.9
5 Banks: Retail ....+0.9

Worst performing sectors

1 Extractive Inds ....-0.6
2 Pharmaceuticals ....-0.5
3 Gas Distribution ....-0.4
4 Building Matls ....-0.4
5 Engineering: Vhcls ....-0.3

Pru goes into bid battle

By Peter John and Joel Kibazo

The latest attempt to gain control of Scottish Amicable featured a spate of rumours that finally hardened around Prudential.

The Pru had been strong in early trading as some *investors switched into the* stock from **Commercial Union and General Accident** following a couple of broker sell notes on Tuesday.

That buying encouraged speculation that **National Westminster** was priming its own gun and aiming it at the Pru. Shortly before the market closed, news came out that the Pru was making its play for ScotAm, offering the same goodwill as that offered by **Abbey National** last week.

Many analysts see the Pru's move as only the second in a fight that could run for some time and encompass several aggressors. *Among the potential con*tenders are National Westminster, Aegon of Holland, and AMP of Australia.

But the main surprise has been the share price reactions. Abbey jumped smartly on the news of its offer last week and the Pru maintained yesterday's early rise. One analyst said: "We were always brought up to believe that when a bid happens the bid target rockets and the bidder is lucky not to fall. This is the classic sign of a bull market."

Pru shares rose 13½ to 554p while CU fell 5½ to 695p, GenAcc 4 to 797p and Abbey 5 at 782p.

BSkyB was the most volatile of all the blue chip stocks yesterday.

The shares slipped initially in response to slightly disappointing interims.

Then, in reaction to bullish comments from the chief executive, the shares rode the 'Chisholm trail' all the way back up. They ended *the day 30 higher at 623p* and at the top of the Footsie performance table. Volume was 13m shares.

Figures for the six months to December came in below a number of forecasts. Among analysts who took a more cautious line on the headline prospects, HSBC James Capel shaved its full year figure (excluding German contributions) by £7m to £315m. However, during his presentation Mr Chisholm gave "a typically confident" performance, according to one analyst.

The chief executive said orders for new digital satellite boxes were being placed *and the German television* link was on track but the company had get-out clauses. Among companies hoping to secure BSkyB digital decoder orders are **Amstrad**, which rose 9½ to 161p, and **Pace Micro Technology**, which bounced 6½ to 176p after a heavy fall on Tuesday.

A negative press report combined with a strong sell recommendation to exact a heavy toll on EMI Group.

The group's shares took the dubious honour of being the worst FTSE 100 performer closing 52½ lighter at 1147½p. Volume was a hefty 4m.

Sentiment was hit by a press report on static sales of classical CDs by Polygram, market leader in the sector. EMI also has substantial sales in the classical music market and remains sensitive to suggestions of weak sales in the music market as a whole.

However, several specialists dismissed concerns about the classical music market as old news. They continued to focus on a recent sell note issued by Schroders.

The Schroders note is believed to have valued the stock at no more than 1000p.

Zeneca dropped 22½ to 1737½p as bid hopes faded following news that Roche of Switzerland is to acquire Tastemaster US food and beverage group for $1.1bn.

The acquisition had damped speculation that Roche would sell its fragrances and flavours business to raising finance for an acquisition in the pharmaceutical sector. The news, combined with continued strength in sterling, also affected **SmithKline Beecham**, which fell 9 to 864½p.

Shield Diagnostics lifted 8 to 257½p as investors continued to show interest ahead *of an announcement on tri*als on its heart attack detection product.

Oxford Molecular improved 23½ to 426p after the group announced a new version of one of its computer software products. Oxford provides software for companies and universities engaged in chemical, pharmaceutical, and biotech research.

BOC fell 14½ to 948½ as investors took profits following a 12 per cent gain in the speciality chemicals group's shares over the past three weeks. There was also talk that HSBC James had turned more cautious but the broker said it remained a 'strong holder'.

HSBC was, however, behind a rise of 2 to 469p for **Rentokil Initial**, business services group. The broker raised its recommendation to 'hold' from 'sell'.

Pilkington, *the world's* leading glass maker, slipped 3½ to 1450½ as Goldman Sachs downgraded its earnings per share forecasts by 15 per cent and cut the rating to neutral. Goldman says that glass price increases announced in the autumn have not held.

RJB Mining lifted 5 to 375p in response to proposals of a 5 per cent share buy-back from the company.

Shell Transport reached a new intraday peak after ABN Amro Hoare Govett reiterated its 'buy' recommendation ahead of next week's results. The broker has a target of 1150p for the shares, which ended up 17 at 1080p.

Turnover in **BT** rose to a heavy 27m, by far the day's most heavily traded FTSE 100 stock.

The buying sent the shares 13½ ahead to 444p as the market continued to celebrate Tuesday's news that the group's joint venture with Viag had won a German digital mobile telephone licence. The group reports third-quarter figures today.

Conglomerate **Tomkins** appreciated 8 to 288½p after several brokers recommended the stock following a visit to its Belgian operations.

British Aerospace stock came under downside pressure for the fourth consecutive trading session, slipping a further 11 to 1,238½p amid worries about reports of a fault in its Hawk jet training aircraft and also by concerns about the group's exposure to sterling's recent rally.

British Building and Engineering Appliances stacked up 15 to 68½p – almost 30 per cent – after **Britannia Group** announced it had bought shares at 54¼p to increase its stake to 11.8 per cent. Britannia lifted a penny to 31p.

There were three more profit warnings; **MS International**, which fell 4 to 20p, **West 175**, which fell 15 to 95p, and **Nightfreight** which dropped 15½ to 58p.

FT 30 INDEX

	Feb 5	Feb 4	Feb 3	Jan 31	Jan 30	Yr ago	*High	*Low
FT 30	2845.8	2841.6	2837.5	2847.1	2830.6	2738.6	2885.2	2668.8
Ord. div. yield	4.07	4.06	4.07	4.06	4.08	3.82	4.22	3.76
P/E ratio net	17.51	17.53	17.51	17.55	17.48	16.92	17.55	15.80
P/E ratio nil	17.34	17.36	17.34	17.38	17.29	16.71	17.38	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2844.7	2845.9	2850.8	2855.0	2852.8	2852.2	2850.4	2848.4	2846.7	2857.2	2843.6

	Feb 5	Feb 4	Feb 3	Jan 31	Jan 30	Yr ago
SEAQ bargains	46,900	47,163	48,775	42,848	39,719	32,073
Equity turnover (£m)†	-	666.3	503.6	906.9	826.0	1798.0
Equity bargains†	-	16,330	15,053	17,205	15,977	37,857
Shares traded (ml)†	-	228.1	188.7	290.2	251.7	626.1

†Excluding intra-market and overseas turnover.

	Feb 5	Feb 4	Feb 3	Jan 31	Jan 30	Yr ago	*High	*Low
FTSE AIM	1127.8	1124.7	1119.5	1119.5	1123.2	1052.3	1140.4	985.7

 *For 1996/97.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	632	Total Highs	199	Total contracts	65,346
Total Falls	555	Total Lows	38	Calls	32,998
Same	1,325			Puts	32,348

Feb 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4270.0	4277.0	+22.0	4288.0	4264.0	10127	59320
Jun	4300.0	4296.5	+21.5	4300.0	4300.0	30	4979
Sep	4328.0	4323.0	+22.0	4328.0	4323.0	130	1741

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4605.0	4605.0	-5.0	4605.0	4605.0	35	5726

■ FTSE 100 INDEX OPTION (LIFFE) (*4260) £10 per full index point

	4100		4150		4200		4250		4300		4350		4400		4450	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	196½	7½	158	11½	107½	19	68	32	38	53½	18½	87½	7½	133	2	183
Mar	205	27½	163½	35½	127	50	93½	67½	65	89½	43½	118	27½	152	15	191½
Apr	229½	46	182½	58	148½	74½	117	92½	89½	114½	65½	140	46	170½	29	204½
May	246	63½	205½	73½	171½	89½	137½	105½	107	126	81	150½	58½	178½	48½	212½
Jun†	263½	73			196½	103½			137	142½			87	192		

Calls 5,153 Puts 10,432

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125		4175		4225		4275		4325		4375		4425		4475	
Feb	177½	9½	128½	14	89½	23	51	38½	27	64½	11	98	3½	140	1	187½
Mar	82½	32	144	42½	110½	59	78½	77½	54½	102½	36½	132½	20½	167½	11	207½
Apr	280½	49½	164½	62½	131½	79	102	99	78½	122½	55	151	38	183	24½	219
Jun	346	78			178	108			121½	149½			76½	202		
Sept†	298½	107½			232½	138			175	177			127	225½		

Calls 8,272 Puts 11,377 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	36.2	57½	49½	BZW Endwmt Red	55	+1½	-	-	-	-
§-	F.P.	3.25	3½	3	†Calidore Group	3¼		-	-	-	-
§-	F.P.	1.80	1	½	†Calidore Wrts	1		-	-	-	-
100	F.P.	12.6	93½	88½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55		-	-	-	-
§100	F.P.	17.1	296	173½	†GB Railways	196	-11	-	-	-	-
§145	F.P.	12.3	175	150	†Hardy Underwrng	167		-	-	-	-
§	F.P.	5.53	4	3¼	†John Lewis	4		-	-	-	21.4
*	F.P.	8.04	62½	45½	†Netcall	57½	-2½	-	-	-	-
§88	F.P.	32.2	72½	42½	†Oxford Biomedica	50½	-2	-	-	-	-
§65	F.P.	16.0	80½	65½	Parkwood	75		R1.82	1.3	3.0	25.1
§68.5	F.P.	13.3	70½	52½	†Pilat Tech Intl	59½		b-	-	-	16.6
§100	F.P.	25.1	123½	97½	Prelude Tst	120½	-3	-	-	-	-
§-	F.P.	2.04	51	22½	Prelude Wrts	49		-	-	-	-
§60	F.P.	40.4	111½	78	Sheffield United	81½	+2	-	-	-	-
§585	F.P.	61.3	757½	652½	Sunderland	752½		R4.8	7.0	0.8	18.0
*	F.P.	13.5	135	125	†Sutton Harbour	135	+1½	Z1.2	1.8	1.1	18.8

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 4	% chg on day	Feb 3	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	1719.90	+0.3	1714.39	2515.96	1.93	-	2520.73	1674.81
■ Regional Indices								
Africa (14)	2004.27	+3.3	1939.80	3538.58	4.42	41.16	3553.86	1918.45
Australasia (7)	1971.20	+0.8	1954.81	2927.34	2.54	21.54	2927.34	1952.42
North America (12)	1611.19	-0.9	1636.36	2162.29	0.81	59.92	2186.39	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 5	Day's chge%	Feb 4	Feb 3	Jan 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4281.5	+0.5	4260.9	4257.8	4275.8	3726.1	3.62	2.07	16.67	4.65	1793.18
FTSE 250	4583.9	+0.2	4575.7	4574.9	4595.4	4147.1	3.40	1.50	24.48	6.11	1881.43
FTSE 250 ex IT	4624.2	+0.2	4616.5	4616.5	4638.5	4152.4	3.49	1.53	23.50	6.18	1902.55
FTSE 350	2116.6	+0.4	2107.8	2106.5	2115.5	1857.1	3.57	1.96	17.85	2.41	1811.24
FTSE 350 Higher Yield	2035.6	+0.7	2021.8	2018.7	2027.7	1858.0	4.65	1.84	14.60	2.74	1469.97
FTSE 350 Lower Yield	2204.8	+0.2	2201.3	2202.0	2211.0	1861.1	2.49	2.18	23.06	2.04	1550.25
FTSE SmallCap	2319.00	+0.2	2314.15	2308.17	2305.59	2024.53	2.92	1.65	25.90	3.50	1940.51
FTSE SmallCap ex IT	2330.46	+0.2	2325.55	2319.24	2315.79	1998.25	3.08	1.73	23.50	3.75	1964.57
FTSE All-Share	2089.61	+0.4	2081.20	2079.60	2087.61	1832.41	3.52	1.94	18.30	2.44	1815.28

■ *FTSE* Actuaries Industry Sectors

	Feb 5	Day's chge%	Feb 4	Feb 3	Jan 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4184.44	+0.5	4162.40	4150.93	4164.80	3231.43	3.41	1.71	21.41	0.00	1834.14
12 Extractive Industries(5)	3774.12	-0.6	3798.19	3841.27	3882.49	4232.61	4.29	2.67	10.93	0.00	1124.87
15 Oil, Integrated(3)	4357.93	+0.7	4328.74	4306.53	4310.75	3274.94	3.54	1.55	22.79	0.00	1982.76
16 Oil Exploration & Prod(13)	3674.26	+0.6	3653.13	3654.15	3704.58	2072.57	1.41	1.90	46.61	0.00	2227.62
20 GEN INDUSTRIALS(273)	2028.67	+0.1	2027.59	2027.78	2035.34	2026.14	3.79	1.87	17.60	1.71	1136.03
21 Building & Construction(35)	1352.31	+0.4	1346.35	1350.59	1352.89	1061.25	3.03	1.61	25.57	0.44	1155.13
22 Building Matls & Merchs(31)	1867.19	-0.4	1874.85	1872.45	1870.03	1896.48	4.17	1.39	21.58	0.44	965.21
23 Chemicals(26)	2355.76	-0.1	2359.09	2348.63	2347.86	2440.70	4.38	1.44	19.77	0.56	1143.84
24 Diversified Industrials(17)	1499.50	+0.6	1490.83	1495.21	1506.57	1781.19	4.31	2.59	11.23	4.02	869.68
25 Electronic & Elect Equip(39)	2345.20	+0.4	2334.97	2334.66	2347.09	2289.84	3.33	1.34	27.99	0.18	1245.62
26 Engineering(71)	2605.28	-0.1	2608.30	2613.17	2625.27	2257.47	3.14	2.34	17.01	3.10	1613.97
27 Engineering, Vehicles(13)	2930.01	-0.3	2939.77	2926.20	2939.97	2629.17	3.68	1.71	19.86	0.25	1547.69
28 *Paper, Pckg & Printing(27)*	*2478.10*	*-0.1*	*2480.66*	*2481.56*	*2493.17*	*2626.73*	*4.19*	*1.79*	*16.63*	*0.00*	*1057.06*
29 Textiles & Apparel(14)	1098.35	+0.1	1095.20	1096.30	1098.39	1480.79	6.41	1.28	15.26	0.00	893.69
30 CONSUMER GOODS(85)	3863.85	-0.2	3869.96	3895.64	3916.80	3632.96	3.75	1.85	18.02	8.23	1464.36
32 Alcoholic Beverages(7)	2633.46	-0.3	2641.50	2662.26	2686.57	2773.84	4.90	1.87	13.64	31.28	986.44
33 Food Producers(25)	2649.80	+0.5	2637.91	2639.78	2654.74	2594.43	4.13	1.76	17.22	5.00	1228.59
34 Household Goods(17)	2666.96	+0.4	2655.59	2660.75	2663.13	2622.44	3.77	2.23	14.87	1.06	1076.79
36 Health Care(16)	2175.91	+0.7	2161.63	2171.72	2153.11	1932.02	2.70	1.92	24.05	3.40	1346.46
37 Pharmaceuticals(18)	6076.25	-0.5	6105.28	6171.94	6203.01	5171.39	2.79	1.73	25.94	0.00	2099.61
38 Tobacco(2)	4061.49	....	4062.11	4051.66	4084.86	4798.75	6.38	2.13	9.20	0.00	1045.90
40 SERVICES(273)	2647.59	+0.4	2636.47	2641.75	2653.73	2295.38	2.84	2.01	21.93	4.97	1408.70
41 Distributors(30)	2863.53	+0.9	2838.90	2810.99	2822.29	2610.75	2.96	2.00	21.09	0.00	1076.56
42 Leisure & Hotels(31)	3464.69	+0.1	3461.41	3466.30	3442.95	2844.45	2.52	2.06	24.16	18.16	1895.26
43 Media(44)	4286.34	+0.7	4257.59	4278.46	4305.05	3704.46	2.16	2.14	27.07	3.38	1571.33
44 Retailers, Food(15)	2063.51	+1.7	2028.88	2033.58	2035.41	1929.65	3.84	2.31	14.12	3.05	1345.61
45 Retailers, General(53)	2041.62	-0.1	2043.91	2051.72	2077.37	1914.64	3.19	2.02	19.39	3.46	1194.63
47 Breweries, Pubs & Rest.(22)	3348.89	+0.3	3339.75	3346.94	3345.60	2972.45	3.24	2.10	18.39	13.49	1650.24
48 Support Services(56)	2911.21	+0.1	2909.00	2886.01	2882.97	1987.43	1.72	2.44	29.70	0.45	1879.67
49 Transport(22)	2755.70	+0.3	2747.39	2760.18	2780.54	2298.97	3.49	1.24	28.81	6.35	1180.56
60 UTILITIES(30)	2703.35	+0.9	2679.85	2652.70	2662.80	2444.57	4.97	1.70	14.80	4.20	1228.07
62 *Electricity(10)*	*2915.52*	*+0.1*	*2911.38*	*2907.49*	*2922.59*	*2750.93*	*5.95*	*2.15*	*9.79*	*18.16*	*1608.21*
64 Gas Distribution(1)	1534.25	-0.4	1540.97	1527.52	1510.69	1616.80	7.95	0.54	29.20	0.00	839.50
66 Telecommunications(8)	2272.76	+1.7	2234.55	2195.47	2206.84	1986.23	3.88	1.54	22.13	0.00	1072.94
68 Water(11)	2506.48	+0.1	2504.31	2503.54	2519.84	2118.07	5.94	2.32	9.08	0.00	1449.67
69 NON-FINANCIALS(682)	2140.59	+0.3	2134.24	2134.92	2144.11	1932.71	3.60	1.85	18.80	3.05	1670.97
70 FINANCIALS(107)	3846.80	+0.8	3815.26	3797.77	3806.71	2934.97	3.46	2.38	15.14	0.78	1698.33
71 *Banks, Retail(8)*	*5645.76*	*+0.8*	*5595.92*	*5568.88*	*5582.05*	*4184.86*	*3.23*	*2.74*	*14.15*	*0.00*	*1889.82*
73 Insurance(19)	1710.47	+0.2	1707.67	1696.14	1698.46	1411.18	4.89	2.30	11.14	0.86	1326.18
74 Life Assurance(7)	4470.69	+1.6	4402.27	4372.41	4382.32	3479.46	3.48	1.78	20.16	0.00	1900.76
77 Other Financial(29)	3097.31	+0.4	3085.55	3088.14	3097.59	2483.79	3.27	2.04	18.72	1.32	1811.33
79 Property(44)	1836.01	+0.9	1820.31	1817.74	1823.07	1450.97	3.48	1.33	27.08	2.25	1161.86
80 INVESTMENT TRUSTS(127)	3293.61	+0.3	3283.25	3273.90	3281.83	3157.02	2.17	1.13	51.19	3.64	1167.96
89 *FTSE All-Share(916)*	*2089.61*	*+0.4*	*2081.20*	*2079.60*	*2087.61*	*1832.41*	*3.52*	*1.94*	*18.30*	*2.44*	*1815.28*
FTSE Fledgling	1301.88	+0.2	1299.78	1296.38	1295.62	1142.27	2.97	0.45	80.00†	2.32	1387.66
FTSE Fledgling ex IT	1322.77	+0.2	1320.48	1316.99	1316.05	1136.60	3.24	0.37	80.00†	2.33	1412.10

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4263.7	4266.5	4276.7	4284.2	4283.6	4282.5	4281.1	4278.9	4280.5	4286.9	4262.9
FTSE 250	4577.6	4576.3	4579.2	4582.3	4584.0	4584.1	4584.2	4583.5	4584.4	4584.5	4576.2
FTSE 350	2109.0	2110.0	2114.3	2117.5	2117.4	2117.0	2116.5	2115.6	2116.3	2118.6	2108.7

Time of FTSE 100 Day's high: 11.14 AM Day's low: 8.32 AM. FTSE 100 1996/97 High: 4281.5 (05/02/97) Low: 3632.3 (18/7/96).

■ *FTSE* 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1299.5	1299.7	1300.4	1302.2	1305.6	1305.3	1306.3	1305.4	1305.5	1304.7	1298.3	+6.4
Pharmaceuticls	6028.1	6018.2	6001.5	6009.7	6008.0	6010.1	6005.8	5998.5	5998.8	5998.1	6028.8	-30.7
Water	*2497.7*	*2498.0*	*2497.8*	*2498.1*	*2500.0*	*2503.9*	*2500.6*	*2498.3*	*2499.8*	*2499.4*	*2497.3*	*+2.1*
Banks, Retail	5672.8	5673.0	5678.5	5708.9	5719.4	5717.3	5715.1	5711.9	5714.9	5717.8	5668.4	+49.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	662	519½	+3½
ASDA Group†	4,800	122½	+2½
Abbey National†	2,700	782	-5
Albert Fisher	2,300	42¼	-½
Allied Domecq†	1,200	426½	+2
Anglian Water	226	625½	
Argos†	208	665½	-3½
Arjo Wiggins	2,300	158½	-3
Assoc. Brit. Foods†	737	474½	+1
Assoc. Brit. Ports	1,700	307	+2
BAA†	2,600	532½	+7½
BAT Inds.†	4,300	482	
BBA	603	346	-3½
BICC	2,500	282	+1
BOC†	1,700	948½	-14½
BP†	6,500	748	-½
BPB	1,300	349	-11½
BSkyB†	13,100	623	+30
BT†	27,700	444	+13½
BTR†	8,700	255½	+½
Bank of Scotland†	2,600	339½	+5½
Barclays†	3,000	1188½	+8½
Bass†	1,700	852½	+3
Blue Circle†	1,100	398	+3
Booker	602	360½	+½
Boots†	982	660	+6½
Britannic	2,000	798	-½
Brit. Aerospace†	2,200	1238½	-11
British Airways†	3,000	589½	+4½
British Biotech	2,600	227	+2
British Energy	5,400	143	-2½
British Gas†	7,200	228	-1
British Land	1,400	516½	+9
British Steel†	7,700	144½	-2
Bunzl	3,500	209½	+1
Burmah Castrol†	411	1027½	+1½
Burton†	3,000	147¼	+½
Cable & Wire†	2,500	479	
Cadbury Schweppes†	3,000	474	+5½
Caradon	613	264	-5
Carlton Comms.†	5,900	652	-10
Chubb	177	320	-1½
Coats Viyella	1,400	134½	+½
Comm. Union†	1,800	695	-5½
Compass	479	697	+6
Cookson	634	249	+4½
Courtaulds	719	391½	+4½
Dalgety	1,100	340½	+5
De La Rue	894	581½	+3
Dixons†	2,700	482½	+10
EMAP	105	797½	+3
EMI†	4,000	1147½	-52½
Electrocomps	485	453½	+7½
Eng China Clays	85	197½	+1½
Enterprise Oil†	984	676½	+1½
FKI	3,500	198	-1
Foreign & Col. I.T.	2,200	154	+1¼
Gen. Accident†	1,300	797	-4
General Elect.†	7,000	394	+2
Glaxo Wellcome†	3,300	992	+1½
Glynwed	1,700	321½	+5
Granada†	3,600	913	-5½
Grand Met.†	3,800	447½	-4
GUS†	2,300	611½	-13
Greenalls	291	564	-1
GRE†	1,100	285	+2
GKN†	222	1007	-1½
Guinness†	2,500	431	-½
HSBC (75p shs)†	2,200	1522½	+21
Hammerson	3	417	+1½
Hanson†	11,700	90½	-½
Harrisons Crosfield	3,200	128	+2½
Hays†	1,500	555½	-8
Hillsdown	984	187½	+1½
Hyder	140	815	
IMI	395	397½	-1½
ICI†	2,000	784½	+7½
Imperial Tobacco†	2,400	407½	-½
Inchcape	959	259½	
Johnson Matthey	1,400	578	+4½
Kingfisher†	474	661	-½
Kwik Save	662	297½	-3
Ladbroke†	4,800	231½	+½
Land Securities†	1,200	771	+8
Laporte	458	671½	+½
Legal & General†	5,400	383½	+3½
Lloyds TSB†	5,200	476	+1
LASMO†	1,400	251½	+5
London Elect	60	702½	
Lonrho	1,100	130	
LucasVarity†	3,700	205½	-½
MEPC	374	454	+3
MFI	1,300	189	
Marks & Spencer†	4,100	495	-1
Mercury Asset Man†	592	1299½	+2
Morrison (Wm.)	98	151	
NFC	222	164½	
NatWest Bank†	2,600	796½	+10
National Grid†	4,900	206	
National Power†	3,600	512½	+5½
Next†	2,300	565½	+2
Northern Foods	2,900	216½	+4½
Orange†	1,500	203	+2
Pearson†	4,800	731	+½
P & O†	853	647	+1½
Pilkington	3,700	140½	-3½
PowerGen†	1,800	649½	+2
Premier Farnell	2,600	547½	+11½
Provident Financial	420	540	+18½
Prudential†	3,200	554	+13½
REXAM	949	323½	
RMC†	245	946½	+1½
RTZ†	4,200	892½	-7
Racal	666	265	+1
Railtrack†	3,100	358½	-5½
Rank Group†	2,500	428½	+3½
Reckitt & Colman†	767	710½	+3½
Redland†	689	338	-1
Reed Intl.†	2,200	1060	+4½
Rentokil Initial†	7,800	469	+2
Reuters†	9,600	655	+3½
Rolls Royce†	1,900	241	+2
Royal & Sun Allce†	6,500	486	+4
Royal Bk. Scotland†	3,600	584½	+6½
Safeway†	4,400	391	+11½
Sainsbury†	6,300	329	+5
Schroders†	49	1690	
Scottish & New.†	1,300	665½	+1
Scot. Hydro-Elect.	294	352	+½
Scottish Power†	2,600	369	-1½
Sears	11,400	82½	-2
Securicor	91	289	-2
Sedgwick	1,400	133	+1
Severn Trent†	508	703½	+4
Shell Transport†	3,600	1080	+17
Siebe†	621	1035	-1
Slough Ests	668	278	+4
Smith (W.H.)	380	431½	+½
Smith & Nephew†	3,800	181	+2
SmKl Beecham†	3,100	864½	-9
Smiths Inds.†	208	789½	+1½
Southern Elect	1,100	768½	-3
South West Water	162	678½	+1
Stagecoach	182	741	-2½
Standard Chard.†	2,800	780½	+14½
Storehouse	987	276	-2½
T&N	7,400	184	-3½
TI Group†	955	547	+4½
Tarmac	1,000	101	-1½
Tate & Lyle†	2,100	439	+7½
Taylor Woodrow	2,100	179	+2½
TeleWest Comms	1,800	110½	-½
Tesco†	2,000	362½	+6
Thames Water†	259	665	
Thorn	6,100	200	+4½
Tomkins†	5,900	288½	+8
Unigate	280	461	+7
Unilever†	821	1383½	+4½
United Biscuits	180	218½	
Utd. News & Media†	2,600	674½	+6
United Utilities†	1,900	677	+2
Vodafone†	7,000	278½	+1
WPP	303	247½	+2
Wessex Water	162	374	-2½
Whitbread†	758	765½	+4
Williams Hldgs.†	3,500	326	+2½
Willis Corroon	15	139½	
Wimpey	1,100	135½	+½
Wolseley†	801	480½	+3
Yorkshire Elect	286	822½	+2
Yorkshire Water	47	737½	
Zeneca†	819	1737½	-22½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FTSE 100 Index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 5 / Sch)

BELGIUM/LUXEMBOURG (Feb 5 / Frs.)

CZECH REP (Feb 5 / Korunа)

DENMARK (Feb 5 / Kr)

FINLAND (Feb 5 / Mka)

FRANCE (Feb 5 / Frs.)

GERMANY (Feb 5 / Dm.)

GREECE (Feb 5 / Drachma)

ITALY (Feb 5 / Lira)

NETHERLANDS (Feb 5 / Fls.)

NORWAY (Feb 5 / Kroner)

POLAND (Feb 5 / Zloty)

PORTUGAL (Feb 5 / Escudo)

SPAIN (Feb 5 / Pta.)

SWEDEN (Feb 5 / Kronor)

SWITZERLAND (Feb 5 / Frs.)

TURKEY (Feb 5 / Tk Lira)

PACIFIC

JAPAN (Feb 5 / Yen)

HONG KONG (Feb 5 / H.K.$)

INDONESIA (Feb 5 / Rupiah)

MALAYSIA (Feb 5 / MYR)

NEW ZEALAND (Feb 5 / NZ $)

SINGAPORE (Feb 5 / S$)

AUSTRALIA (Feb 5 / Aust$)

SOUTH KOREA (Feb 5 / Won)

TAIWAN (Feb 3 / TW $)

THAILAND (Feb 5 / Baht)

		+/-	High	Low	Yld	P/E
Advinf	252	—	*610	202	2.4	—
BgkBnk	218	-6	380	274	1.4	—
BgkLnd	28	—	*45	11.50	0.9	27.7
DtSiam	48.75	-3.75	195	49.25	5.5	7.4
FinOne	29.75	-2.25	170	28.25	10.1	—
KrThBk	44	-1.75	147	43.50	3.5	—
LndHou	169	+1	506	75	3.0	—
PaThan	68.50	-2.50	272	55.50	4.8	6.4
SiamCm	780	-4	1,540	740	2.6	15.0
SiamCi	142	-1	408	124	5.8	—
SiamCB	154	-7	430	159	4.5	7.5
TeleAs	45.75	-2.25	81.50	41	—	78.9
ThaiFm	138	-11	324	138	4.8	9.5

AFRICA

SOUTH AFRICA (Feb 5 / Rand)

		+/-	High	Low	Yld	P/E
Minrco	103.50	+.50	119.50	91	—	—
Nampak	18.50	+.80	22	16	2.2	17.8
Nedcor	78.50	+5.50	78.50	53.50	2.0	15.6
PalabM	79	+.50	80	53	8.2	9.5
Pick&P	5.30	+.08	15.25	3.88	6.9	—
PremGp	6.44xd	+.10	7.20	5.05	2.1	8.8
PretPt	70	+1.60	102	69	4.3	15.1
Rmdfn	27xd	-.76	37.25	20.85	5.8	10.1
RmbrGp	46.75	+1.25	48	33.50	1.4	18.5
RmbrCo	30	+.20	30.20	22.50	1.7	14.3
Reunrt	13.30	+.20	*28.60	12.75	2.7	12.8
RustPl	63	+1.50	90	56	2.4	20.0
SAPPI	42xd	-.25	57	38.80	3.3	18.3
SASOL	51	-1.25	60	29.75	2.4	13.0
SafRen	12.25	—	13.75	9.70	3.0	14.1
Sentch	9.05	-.14	17.10	8	4.3	6.9
SmthFd	75	—	91	61.50	2.4	11.1
SmthCG	24.60	+.85	30	20	2.3	14.5
SABrew	124	+1.25	143	106	2.1	21.9
SAMteAm	60.50	-.50	67	43	3.4	14.2
SLife	43.25	+.50	56	37	3.7	20.0
Stlwl	127.50	-3	202	120	3.8	—
St Hel	24.50	-.60	34	24	2.0	—
StandB	193	+1	200	155	1.1	—
TigOat	71.75	-.50	72.75	50	1.8	13.7
TngHul	63.75	+.50	66	48	1.4	—
VReefs	309.50	-3.50	480	275	4.9	—
W Area	53xd	+1	75	48	1.9	23.6
W Deep	146	—	223	125	4.4	—
Wooltru	19.40	-.10	*20.75	15	2.2	17.8

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex Scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NORTH AMERICA

CANADA

TORONTO (Feb 5 / Can $)
4 pm close

Sales			+/-	High	Low
618244	Abitib	22¼		23⅝	16½
276877	AgnEag	17⅞	-⅛	28	17
979425	AirCda	7⅝		8½	4⅛
1540992	AlbtaE	32¾	-⅛	33⅝	23¼
398654	AlcnAl	48½	-⅝	49⅝	39⅞
1242179	AndExp	17¾	-½	20¾	12¼
3980	AtcoCl	25¼	+⅜	25¼	17⅝
180975	Avenor	23¼	+⅝	25⅞	18⅞
26201	BCSugA x	12⅞	-⅛	13¼	9¾
97528	BC Tel	29⅞	+⅝	31½	24⅞
1316955	BCE	69½	-1	70¼	47¼
8027	BCE Mb	43½	-¼	48½	31⅛
2400	BGR A	17¼		20⅝	16
2162452	BkMont x	47⅞	-⅞	49⅛	30½
1610690	BkNovS	50		51	29⅝
796860	BrckGd	35⅞	-⅛	45	30½
293250	BeauEx	2.94	+.03	3.17	1.61
1400	BombA	25½	-¼	26⅝	17½
699083	BombrB	25⅝	-¼	26⅛	17½

INDICES

	Feb 5	Feb 4	Feb 3	1996/97 High	1996/97 Low
Argentina					
General(29/12/77)	(u)	20353.39	20361.79	20361.80 3/2/97	16297.20 22/8/96
Australia					
All Ordinaries(1/1/80)	2435.6	2409.1	2426.9	2444.20 20/1/97	2086.10 17/7/96
All Mining(1/1/80)	943.7	935.2	937.8	1118.40 8/5/96	883.80 13/12/96
Austria					
Credit Aktien(30/12/84)	396.04	396.85	398.41	398.41 3/2/97	349.19 6/9/96
Traded Index(2/1/91)	1187.01	1180.98	1182.16	1187.01 5/2/97	976.27 2/1/96
Belgium					
BEL20(1/1/91)	2057.53	2053.59	2053.51	2075.06 28/1/97	1574.90 2/1/96
Brazil					
Bovespa(29/12/83)	(u)	81023.0	80959.0	81023.00 4/2/97	43901.00 2/1/96
Canada					
Metals Minls♦(1975)	(u)	5421.05	5434.09	5624.60 8/5/96	4662.47 18/1/96
Composite♦(1975)	(u)	6145.40	6140.90	6145.40 4/2/97	4738.78 15/1/96
Portfolio§§(4/1/83)	(u)	3046.69	3039.23	3049.11 17/1/97	2327.38 12/1/96
Chile					
IGPA Gen♥(31/12/80)	(u)	5229.46	5248.83	5804.23 8/1/96	4908.17 18/12/96
Denmark					
CopenhagenSE(3/1/83)	524.19	522.35	518.07	524.19 5/2/97	368.40 2/1/96
Finland					
HEX General(28/12/90)	2798.78	2769.33	2762.77	2798.78 5/2/97	1691.87 10/1/96
France					
SBF 250(31/12/90)	1708.89	1687.96	1691.30	1708.89 5/2/97	1250.16 2/1/96
CAC 40(31/12/87)	2541.25	2503.07	2508.55	2541.25 5/2/97	1897.85 11/1/96
Germany					
FAZ Aktien(31/12/58)	1071.48	1066.14	1057.14	1071.48 5/2/97	818.58 2/1/96
Commerzbank(1/12/53)	3108.60	3092.70	3087.3	3108.60 5/2/97	2370.10 2/1/96
DAX‡(30/12/87)	3098.0	3067.06	3062.29	3098.00 5/2/97	2284.86 2/1/96
Greece					
Athens SE(31/12/80)	1179.84	1162.54	1148.06	1179.84 5/2/97	872.99 7/8/96
Hong Kong					
Hang Seng(31/7/64)	13880.50	13548.43	13451.07	13888.20 20/1/97	10204.99 2/1/96
India					
BSE Sens.(1979)	3354.72	3377.68	3324.22	4069.28 18/6/96	2745.86 4/12/96
Indonesia					
Jakarta Comp.(10/8/82)	686.85	680.33	687.47	691.33 29/1/97	512.48 2/1/96
Ireland					
ISEQ Overall(4/1/88)	2917.6	2918.86	2933.85	2933.85 3/2/97	2234.61 2/1/96
Italy					
Banca Comm Ital(1972)	785.84	776.79	771.01	798.45 23/1/97	572.21 27/8/96
MIB General(2/1/97)	1181.0	1168.0	1157.0	1186.00 23/1/97	991.00 2/1/97
Japan					
Nikkei 225(16/5/49)	18183.97	18314.33	18065.95	22666.80 26/6/96	17303.78 10/1/97
Nikkei 300(1/10/82)	258.06	261.70	258.88	319.70 26/6/96	251.04 27/1/97
Topix(4/1/68)	1355.40	1375.74	1367.74	1722.13 26/6/96	1328.90 27/1/97
2nd Section(4/1/68)	1738.05	1749.07	1739.93	2251.48 2/7/96	1719.12 28/1/97
Malaysia					
KLSE Comp.(4/4/86)	1241.95	1235.36	1221.90	1244.13 24/1/97	983.18 2/1/96
Mexico					
IPC(Nov 1978)	(c)	3652.99	3636.50	3739.59 20/1/97	2736.36 8/3/96
Netherland					
CBS TtlRtnGen(End 83)	803.6	792.0	786.5	803.60 5/2/97	538.60 2/1/96
CBS All Shr(End 83)	471.6	464.8	461.6	471.80 5/2/97	326.78 2/1/96
New Zealand					
Cap. 40(1/7/86)	2330.36	2338.94	2377.94	2449.21 20/1/97	2025.14 7/6/96
Norway					
Oslo SE(Ind)(2/1/83)	1830.05	1839.50	1840.00	1840.00 3/2/97	1259.68 30/1/96
Philippines					
Manila Comp(2/1/85)	3398.04	3398.89	3447.60	3447.60 3/2/97	2578.97 2/1/96
Portugal					
BVL 30(4/1/93)	2525.01	2482.57†	2449.11	2525.01 5/2/97	1602.81 2/1/96
Singapore					
SES All-S'pore(2/4/75)	548.07	548.95	552.11	610.37 5/2/96	503.78 21/10/96
South Africa					
JSE Gold(28/9/78)	1373.7♥	1398.3	1339.0	2030.40 29/5/96	1339.00 3/2/97
JSE Ind.(28/9/78)	8133.4♥	8109.2	8061.6	8739.30 25/1/96	7589.90 17/12/96
South Korea					
KoreaCompEx**(4/1/80)	698.60	695.95	687.25	986.84 7/5/96	611.05 7/1/97
Spain					
Madrid SE(30/12/85)	469.68	463.09	462.69	479.58 21/1/97	323.75 11/1/96
Sweden					
AffarsvarldsGen(1/2/37)	2593.0	2570.2	2567.8	2593.00 5/2/97	1708.80 22/1/96
Switzerland					
Swiss Bk Ind(31/12/58)	2081.93	2082.04	2076.66	2082.04 4/2/97	1616.19 17/1/96
SBC General(1/4/87)	1447.24	1443.56	1440.38	1447.24 5/2/97	1114.47 26/1/96
Taiwan					
WeightedPr.**(30/6/66)	(c)	(c)	7348.88	7345.88 3/2/97	4690.22 6/2/96
Thailand					
Bangkok SET(30/4/75)	744.59	765.42	761.63	1415.04 6/2/96	744.60 5/2/97
Turkey					
IMKB Nat 100(1986)	1492.0	1465.0	1575.0	1700.00 27/1/97	388.00 2/1/96
WORLD					
MS Capital Intl(1/1/70)	831.0*	830.8	828.5	837.20 25/11/96	725.80 15/1/96
CROSS-BORDER					
Eurotrack 100(26/10/90)	2081.72	2068.76	2063.25	2081.72 5/2/97	1594.40 11/1/96
Euro Top-100(26/6/90)	1771.19	1751.16	1745.85	1771.19 5/2/97	1333.61 11/1/96
HSBC JC Drgn(31/12/88)	(u)	422.98	421.66	429.46 20/1/97	344.19 2/1/96
ING Brngs Emrg(7/1/92)	173.00	172.22	171.32	172.22 4/2/97	147.35 2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Feb	2521.0	2546.5	+37.5	2552.0	2516.0	13,214	25,065
Mar	2526.0	2552.5	+37.5	2556.5	2524.5	1,704	19,370
DAX							
Mar	3096.0	3122.0	+44.0	3130.5	3090.0	24,880	–
Jun	3108.0	3135.5	+44.0	3140.5	3103.5	487	–
OMX							
Feb	2005.00	2017.00	+19.00	2019.00	2005.00	4,546	24,828
Mar	2014.00	2024.50	+22.00	2024.50	2014.00	867	3,427
SOFFEX							
Feb	4304.0	4303.0	+6.5	4328.0	4291.0	4,548	23,815
Mar	4318.0	4308.5	+11.5	4318.0	4318.0	242	1,005

** Sat Feb 1 : Taiwan Weighted Price 7315.39; Korea Comp Ex 693.13. Base values of all Indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 5 - 3114.73 +47.25 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Feb 4	Feb 3	Jan 31	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6833.48	6806.16	6813.09	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.52	103.36	103.24	106.09 (14/2/96)	100.98 (15/7/96)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2339.82	2345.37	2324.10	2365.23 (22/1/97)	1882.71 (18/1/96)	2365.23 (22/1/97)	13.23 (8/7/32)
Utilities	232.25	232.25	232.53	240.85 (23/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6859.85†(6858.11) Low 6738.43†(6733.04) (Theoretical♠)
Day's high 6833.48†(6819.24) Low 6767.88†(6766.91) (Actual♠)

Standard and Poors	Feb 4	Feb 3	Jan 31	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
‡Composite‡	789.26	786.73	786.16	789.26 (4/2/97)	598.48 (10/1/96)	789.26 (4/2/97)	4.40 (1/6/32)
Industrials♥	924.97	922.58	922.98	924.97 (4/2/97)	702.07 (15/1/96)	924.97 (4/2/97)	3.52 (30/6/32)
Financial	89.58	88.92	88.30	89.58 (4/2/97)	58.67 (10/1/96)	89.58 (4/2/97)	7.13 (4/9/74)
NYSE Comp.	413.34	412.48	411.98	413.34 (4/2/97)	321.41 (10/1/96)	413.34 (4/2/97)	4.64 (25/4/42)
Amex Comp.	589.25	589.71	588.77	617.61 (22/5/96)	524.20 (16/7/96)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1373.75	1376.05	1379.85	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 31	Jan 24	Jan 17	Year ago
Dow Jones Ind. Div. Yield	1.86	1.89	1.95	2.19
	Jan 29	Jan 22	Jan 15	Year ago
S & P Ind. Div. yield	1.78	1.74	1.78	1.91
S & P Ind. P/E ratio	23.98	24.40	23.84	19.43

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Circuit C	13,336,700	21¼	+1¼
Mercury Fn	12,112,200	2¼	+½
Pepsico	10,907,200	32⅞	-1¼
WMX Tech	9,443,300	33	-3¼
First Data	7,437,300	34⅝	+¾
Vail Res	6,572,800	22⅜	+⅜
USA Waste	6,391,700	36⅞	+1¼
Gnrl Mtrs	5,410,500	57⅜	-⅜
AT & T	4,150,100	39¼	-¼
CocaCola	3,998,100	59⅝	-¼

■ TRADING ACTIVITY

● Volume (million)	Feb 4	Feb 3	Jan 31
New York SE	491.841	463.576	578.744
Amex	16.806	16.466	20.931
NASDAQ	617.513	549.240	693.887
NYSE			
Issues Traded	3,307	3,315	3,321
Rises	1,165	1,394	1,392
Falls	1,272	1,109	1,116
Unchanged	870	812	813
New Highs	141	132	202
New Lows	25	18	27

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	793.70	798.20	+2.50	798.20	793.50	49,057	177,894
Jun	801.80	803.20	+2.10	803.20	801.40	898	9,898
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Nikkei 225							
Mar	18280.0	18160.0	-160.0	18360.0	17890.0	26,265	214,144
Jun	18240.0	17940.0	-360.0	18280.0	17940.0	333	40,912

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 5, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	20.1m	181	-35	Fujitsu	5.2m	1200	+10
Daido Stl Sheet	7.1m	1020		NKK Corp	5.0m	238	-7
Hokkaido Taku Bk	7.0m	143	-20	Bk Tk-Mitsubishi	4.8m	1820	-20
Fuji Bank	5.4m	1260	-70	Sakura Bank	4.7m	686	-35
Wakachiku Const	5.3m	535	-13	Mitsui Fudosan	4.0m	1130	-30

NEW YORK STOCK EXCHANGE PRICES

4 pm close February 5

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24⅞	AAR x	0.48	1.8	22	768	26⅞	26⅝	26⅝	-⅜
46⅛	33	AMP x	1.04	2.6	30	8778	41⅛	39⅞	40	-¼
97½	66	AMR			6	8356	80⅝	78¼	78⅞	-1⅝
50½	33¼	ASA	1.20	3.5	22	193	34⅜	34⅛	34⅜	+¼
57⅜	38⅛	AbbtL x	0.96	1.8	22	11757	55½	53⅝	54⅛	-⅝
17⅜	12¼	Abitibi Pr	0.40	2.4	8	508	16⅝	16⅜	16⅜	-⅛
20⅛	13½	ABM Ind x	0.40	2.2	17	213	18½	18⅛	18¼	-⅛
22½	15⅞	Acptacoln			10	145	20½	20⅜	20⅜	-⅛
61¼	37¾	ACE Ltd	0.72	1.2	9	1521	60¼	58½	59⅜	-⅝
10½	9⅛	ACM Gvt In x	0.90	8.8	11	276	10¼	10⅛	10⅛	-¼
7⅞	6⅝	ACM GvOpp x	0.63	8.4		976	7⅝	7½	7½	
9⅞	8⅜	ACM Man x	0.90	9.5		186	9½	9⅜	9½	
13⅞	6⅛	Acme Elect				249	7⅝	7¼	7⅜	+⅛
21⅝	13⅞	Acme Mills			72	265	16¾	16⅜	16¾	
38¾	27¼	Acordia	0.80	2.9	14	38	27⅞	27⅝	27⅞	+⅛
27⅛	12	Acuson				3023	25⅛	24⅝	25⅛	+¼
21⅛	17⅞	Adams Expr	0.55	2.7	1	295	20¾	20⅝	20⅝	-⅛
36⅛	10¼	AdvMic				11605	34½	31¾	32¾	-1
12⅞	8½	Advest Grp			9	987	u13¼	12⅜	13⅛	+¾
28⅛	9⅛	Advo Inc			29	195	13	12⅝	12⅝	-⅜
65⅛	41⅛	Aegon	1.18	1.9	16	118	62½	62¼	62¼	+⅜
6¾	3½	Aerflx				144	4⅝	4½	4½	-¼
50⅛	40⅜	AES Corp				20	46	46	60½	+4⅞
82½	57⅝	Aetna x	0.80	1.0	45	38824	81½	77¼	78	-4⅜
44	28¼	Aflac	0.40	1.0	14	5937	40½	39⅞	39⅞	-½
22	17⅛	AGL Res	1.08	5.3	14	347	20¾	20¼	20⅜	-¼
[illegible]										

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Continued on next page

NYSE PRICES

4 pm close February 5

Continued from previous page

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- X - Y - Z -

61	39¾	Xerox	1.28	2.3	16	13184	58⅛	56¼	56¾	-1
47⅞	39¾	Xtra Corp	0.80	1.9	16	296	42¼	41⅞	41⅞	-⅜
25¾	20⅜	Yankee Egy	1.30	5.8	12	53	22½	22¼	22½	+⅛
57	43⅞	York Int	0.36	0.7		1048	52⅞	51⅝	51¾	-¾
4⅞	3	Zapata				38	u4⅞	4¼	4⅞	
25¾	5⅞	ZnthEl				1459	11⅞	11	11	-¼
28⅞	21⅛	Zenith Nat x	1.00	3.7	12	175	27¼	26⅞	27⅛	+¼
7⅞	6½	Zenix Inc	0.73	9.9		206	u7⅞	7¼	7⅜	
22⅞	15⅛	Zero x	0.12	0.6	17	89	22	21¾	21¾	-¼
29	18½	Zurn Ind	0.40	1.6	14	280	25	24⅜	24⅜	-⅝
11⅞	10½	Zweig Fund	1.12	10.0		316	10⅞	10¾	11¼	
9	8	Zweig Total	0.84	10.0		668	8⅜	8¼	8⅜	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/c-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close February 5

[illegible]

AMEX PRICES

4 pm close February 5

[illegible]

Dow up as Wall St deal lifts sentiment

AMERICAS

The announcement that Morgan Stanley, the US investment bank, and Dean Witter Discover, the brokerage house, had agreed to merge to form the largest securities company in the US, sparked sharp rises in the securities sector, *writes Lisa Bransten in New York.*

Elsewhere, shares were mixed at midsession as the technology-rich Nasdaq composite slipped while other sectors were mostly flat.

Shares in Morgan Stanley jumped $7½ or 13 per cent to $64⅝ and Dean Witter added $1⅞ or 5 per cent to $40⅝. The announcement also led to gains in a number of smaller securities companies seen as possible merger candidates. Donaldson Lufkin & Jenrette added $2 at $39⅝, Bear Stearns gained $1½ at $33⅞. Charles Schwab climbed $1¼ at $38¼ and AG Edwards rose $2¼ or 6 per cent to $36⅞.

Meanwhile, PaineWebber Group, which had risen more than $11 since mid-January on speculation that it might be a merger candidate, slid $⅝ to $35⅝ yesterday.

Blue chip shares in the Dow Jones Industrial Average were restrained by a loss of $3½ at $150⅝ in IBM. At 1 pm the index was 12.32 higher at 6,845.80 while the more broadly traded Standard & Poor's 500 lost 0.25 at 789.01. NYSE volume was 297m shares.

In early afternoon trading the Nasdaq was off 9.31 at 1,364.44 amid losses in both the large and small capitalisation components in the index. The Pacific Stock Exchange technology index, which include both Nasdaq and NYSE shares, fell 1.4 per cent.

All four of the largest companies on the Nasdaq were lower. Intel lost $4⅝ at $160⅝, Microsoft shed $2⅝ at $100⅝, Cisco Systems, which reported quarterly results just ahead of estimates on Tuesday, shed $2⅞ at $64¼ and Oracle lost $⅝ at $39½.

TORONTO tracked Wall Street in a morning of solid two-way trading but was marginally lower at midsession. At the noon calculation, the 300 composite index was off 1.57 at 6,143.84.

Banks were the best performing sector with Royal Bank of Canada gaining 35 cents to C$51.75 and Toronto-Dominion Bank advancing 50 cents to C$38.85. Oils and utilities were the most notable sector laggards.

Lafarge rose C$9.80 to C$346.30 following news of solid sales growth for 1996. Barrick Gold dipped 40 cents to C$35.70 after weak fourth quarter earnings.

SAO PAULO was higher as preferred shares of CVRD climbed 5.2 per cent to R$27.35 on continued bullishness over the mining giant's forthcoming privatisation. The Bovespa index was 665 higher by midsession at 81,668.

CARACAS moved ahead steadily from the outset after a decline in money market rates sparked an improvement in investor sentiment. At midsession, the IBC index was up 44.59 at 6,418.61.

Firm rand powers South Africa higher

Buoyed by a firm rand and talk of an end to exchange controls in next month's budget, the Johannesburg stock market continued to power upwards.

The all-share index closed 38.1 better at 6,804.1, thanks to strong performances among resource stocks and the banks. Industrials, held back by a heavy fall for Iscor, gained 25.2 to 8,133.4.

The rand broke through the R4.50 to the dollar level at one stage amid persistent talk of an early end to exchange controls. The currency strength also sparked speculation on a cut for interest rates. South African Breweries closed R1.25 higher at R124. The main blight on the session was a fall of R21 or 7 per cent to R340 for Iscor, the steel producer, on lower profits.

Bourses score 10 all-time highs

EUROPE

More strength in the dollar, and a growing conviction that interest rates would remain steady, took 10 continental bourses to all-time highs.

FRANKFURT looked for leadership, saw that its chemicals sector had barely moved in two months, and lifted the sub-index by 2.6 per cent as the Dax peaked 47.25, or 1.5 per cent higher at an Ibis-indicated 3,114.73. Turnover rose from DM12.1bn to DM12.9bn.

Bayer led chemicals with a gain of DM2.92 or 4.7 per cent at DM65. Mr Andreas Schmidt, chemicals analyst at BZW in Frankfurt, noted that the big three topped the Dax 30 performance charts in 1996, and ranked very high in Europe; he saw yesterday as sector rotation following the big January gains in German banks, carmakers and construction stocks.

Among individual stocks, restructuring gave Lufthansa a big lift, the airline gaining DM1.15 or 5.2 per cent at DM23.35.

PARIS kept in step with leading bourses, pushing the CAC 40 comfortably into new high ground with a rise of 38.18 or 1.5 per cent to 2,541.25 in heavy two-way trading.

Banks bounced off a firm bond market, Suez adding FFr7.50 or 3 per cent to FFr260 and BNP gaining FFr5.30 to FFr221. Elf, up FFr30 to FFr578, had a Merrill Lynch stance upgrade as well as the firm dollar to thank for a 5.5 per cent surge.

Strong 1996 sales left Carrefour FFr96 higher at FFr3,358 and a similar story prevailed at Skis Rossignal which surged FFr12.60 or 8.4 per cent to FFr164.5.

Havas continued to benefit from talk of a restructured media sector, adding FFr17.80 to FFr449 for a gain of 11 per cent in three days. Accor fell FFr9 to FFr749 after Paribas downgraded the stock from "buy" to "no action, fair value".

AMSTERDAM registered an all-time high with the AEX index 9.27 better at 689.49. Royal Dutch rode up on the strong dollar, Heineken bounced on earnings hopes and a good day for bonds sent financials sharply higher.

Heineken jumped Fl 9.50 or 3.2 per cent to Fl 307 after a press report sparked hopes that the brewer's earlier forecast of lower profits for 1996 had been too pessimistic.

Royal Dutch gained Fl 8.40 to Fl 331.60. ABN Amro rose Fl 2.30 to Fl 124 and Aegon gained Fl 1.50 to Fl 115. Weak on Tuesday on news of a third quarter loss, KLM rallied strongly, adding Fl 1.70 to Fl 55.60.

ZURICH extended its record-setting run to a fifth session, in spite of some late profit-taking and the SMI index finished 9.0 higher at 4,305.5.

Roche certificates gave up SFr155 to SFr12,130 as news of its $1.1bn acquisition of the US food and beverage company, Tastemaker, quietened recent speculation that the Swiss group planned to sell its own fragrances and flavours division. Mr Mark Tracey at Goldman Sachs said that the purchase reinforced Roche's policy of strengthening its businesses selectively. It also showed that the group was strong enough not to be distracted by the sort of spurious rumours of huge acquisitions that, recently, had been doing the rounds of the financial community.

The big three banks outperformed as news that they would set up a SFr100m fund for holocaust victims prompted hopes of an easing of tensions with the US Jewish community. UBS rose SFr17 to SFr1,219, SBC SFr6 to SFr274 and CS Group 75 centimes to SFr147.75.

MILAN closed at the day's highs, helped by the government brokered agreement between the metalworkers and employers after their long-running pay dispute, and also looking forward to good figures today on investment fund inflows.

The Comit index rose 10.05 to 786.84 while the real-time Mibtel index added 225 to 12,636, unphased by speculation over the timing of Italy's entry into the single European currency.

Among the banks, BCI added L215 to L3,563 on expectations that restrictions on stake building could soon be removed. Mediobanca rose L416 to L11,330.

The recently neglected Eni, the energy group, picked up L304 to L9,216.

Telecom Italia rose L183 to L4,695 while Stet, into which it is to be merged, was L113 ahead at L7,998.

MADRID, like Milan, was undismayed by the Emu speculation, the general index rising 6.59 to 469.68. Mr James Cornish, European strategist at NatWest, surmised that even if the peseta did not make the cut, the components of the convergence argument might well remain in place.

STOCKHOLM, COPENHAGEN and HELSINKI all peaked, but OSLO watched the Norwegian krone firm against both the US dollar and the D-Mark, weakening leaders like Norsk Hydro and Saga Petroleum, and the total index closed 4.46 lower at 1,066.08.

The main Swedish feature was a 2 per cent gain in forestries, aided by a sector upgrade from Salomon Brothers. The Affärsvärlden General index rose 22.8 to 2,593.0.

Danish banks were good, Unidanmark putting on DKr6 at DKr356 as the KFX index closed 0.79 higher at 151.55. The Finnish cranemaker, Konecranes, leapt FM18 or 11.1 per cent to FM180 on better than expected results while the Hex index gained 27.44 at 2,796.76.

LISBON was swept 2.6 per cent up to a record close, led by telecommunications stocks on expectations of strong profits in the sector. The PSI20 index rose 146.68 to 5,988.33 as Portugal Telecom jumped Es410 to Es6,100 and Telecel, the mobile telephone operator, jumped Es779 to Es13,469.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 5 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2074.72	2076.58	2077.51	2079.15	2079.74	2080.22	2080.12	2081.22
FTSE Eurotrack 200	2112.17	2114.31	2114.57	2118.84	2120.40	2118.84	2118.73	2120.24

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29
FTSE Eurotrack 100	2066.78	2063.25	2055.31	2045.32	2033.21
FTSE Eurotrack 200	2104.97	2098.08	2089.49	2080.41	2068.75

Base value 1000 (26/10/90). High/day: 100 - 2081.88; 200 - 2123.45 Low/day: 100 - 2074.72 200 - 2111.97 † Partial.

Tokyo rattled by fear of NC Bank crisis

ASIA PACIFIC

Fears of a financial crisis at Nippon Credit Bank rattled TOKYO. The Nikkei average dropped over 2 per cent at one stage before recovering ground on short-covering and buying of leading electricals, *writes Jonathan Annells.*

The 225 index fell 128.36 to 18,185.97 after trading between 17,901.48 and 18,307.35. Activity was dominated by the banking sector after a brief report in the morning edition of the Nihon Keizai Shimbun that the gap between the yield on Nippon Credit Bank's five-year debentures and those of the Industrial Bank of Japan, at 2.48 per cent, was now wider than ever.

This prompted speculation that NCB's operations might have to be taken over by another bank within a matter of months, brokers said. Those banks considered most likely to assume the burden were also sold off, compounding profit-taking pressure after the strong rally on Tuesday, and driving the sector down by 3.2 per cent.

Volume slipped from 397m shares to an estimated 381m. Declines overwhelmed advances by 942 to 179 with 125 unchanged. The Topix index of all first section stocks shed 20.34 to 1,355.40, and the capital-weighted Nikkei 300 3.64 to 258.06.

After hours, NCB said that talk of its collapse was "groundless". In London, the ISE/Nikkei 50 index rose 12.14 to 1,369.05.

Trade in NCB was three times the volume of the next most active stock, Daido Steel Sheet. It plumbed a new low for the financial year of Y177 as long-term investors were panicked into stop-loss selling. NCB issued a statement claiming that its business conditions had been improving steadily, but the shares still ended Y35 lower at Y181.

Three other banks hit 13-month lows. Industrial Bank of Japan fell Y60 to Y1,490, Long-term Credit Bank of Japan Y40 to Y420 and Hokkaido Takushoku Bank Y20 to Y143. Fuji Bank lost Y70 at Y1,260, Sumitomo Bank Y50 at Y1,290 and Sakura Bank Y35 at Y686.

High-tech electronics stocks saved the day, buoyed by the prospect of improved export earnings as the dollar rose to Y123 for the first time in four years.

Sony jumped Y90 to Y8,220 on foreign buying ahead of a 99 per cent lift in third quarter pre-tax profits, and Pioneer Electronic added Y40 at Y2,050.

In Osaka, the OSE average dropped 245.19 to 18,964.82 in volume of 24m shares.

BANGKOK moved lower in heavy volume on worries about the baht and news of an interest payment default by a property company. The SET index lost 20.83 or 2.7 per cent to 744.59 on turnover of Bt4.6bn.

Rumours about financial companies facing trading difficulties resurfaced when Somprasong Land missed a $3.1m payment on $80m of Euro-debt. The company blamed the prolonged decline in the Thai property market for its cash crisis.

Banking stocks fell more than 3 per cent and the finance company sector retreated 5.6 per cent. Thai Farmers Bank fell Bt2 to Bt115 and Krung Thai Thanakit Bt5 to Bt45.

SYDNEY closed sharply higher in futures-led trade. The All Ordinaries rose 26.7 or 1.1 per cent to 2,435.8.

The absence of an interest rate cut sent the March equity futures contract shooting ahead and the cash market followed suit in thin volume, dealers said. Commonwealth Bank rose 21 cents to A$13.11 and ANZ 6 cents to A$8.16.

HONG KONG eased itself into the Chinese New Year holiday on a positive note, with strong banks and conglomerates helping the Hang Seng index up 112.07 at 13,660.50.

BOMBAY put in an early rally on comments by the prime minister that this month's budget statement would include market friendly measures.

However, the market was unable to hold on to the gains and by the close the BSE-30 index was down 22.91 or 0.7 per cent at 3,354.72.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: January 31 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: January 31 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(250)	586.80	+1.3	+9.1			
Argentina	(31)	1,023.54	+4.8	+7.7	627,769.43	+4.8	+7.7
Brazil	(68)	440.09	+2.2	+11.0	1,721.48	+2.4	+11.7
Chile	(45)	679.53	+1.3	+9.6	1,144.11	+1.1	+8.5
Colombia[1]	(14)	684.27	−2.2	+8.1	1,289.13	+0.8	+14.3
Mexico	(64)	574.52	−0.6	+8.5	1,936.71	−0.6	+7.8
Peru[2]	(19)	212.05	+0.8	+7.8	342.47	+1.4	+9.6
Venezuela[3]	(9)	707.75	+1.4	−2.8	7,724.05	+1.5	−3.1
Asia	(711)	261.18	−0.4	+3.3			
China[4]	(27)	73.08	+0.5	−0.9	76.50	+0.5	−0.9
South Korea[5]	(156)	79.84	−0.3	+3.4	90.69	+0.8	+5.6
Philippines	(42)	312.31	+3.0	+6.4	397.53	+3.0	+6.6
Taiwan, China[6]	(90)	159.80	+0.4	+4.3	164.55	+0.3	+4.0
India[7]	(79)	85.11	−2.0	+8.0	108.43	−1.9	+8.2
Indonesia[8]	(49)	137.38	+2.1	+7.6	177.35	+2.2	+8.3
Malaysia	(148)	344.19	−0.6	+2.2	315.77	−0.8	+0.6
Pakistan[9]	(28)	233.44	+7.2	+19.3	426.44	+7.2	+19.3
Sri Lanka[10]	(5)	97.04	−0.1	+2.1	122.14	+0.2	+3.8
Thailand	(87)	208.34	−8.8	−5.9	214.40	−8.4	−4.9
Euro/Mid East	(264)	149.87	+1.3	+11.6			
Czech Rep	(7)	71.09	+0.8	+1.3	65.55	+0.8	+3.2
Greece	(54)	289.70	+5.9	+19.5	505.66	+6.9	+24.9
Hungary[11]	(12)	246.86	+0.9	+25.5	503.98	+1.7	+31.7
Jordan	(7)	186.82	+0.1	+0.1	279.11	+0.1	−0.1
Poland[12]	(13)	784.65	−3.7	+7.2	1,483.20	−3.2	+12.5
Portugal	(28)	158.66	−0.1	+8.6	179.05	+0.7	+14.8
South Africa[13]	(63)	214.38	+0.7	+2.8	202.13	−0.3	+0.3
Turkey[14]	(58)	233.74	+3.8	+57.2	12,756.12	+4.6	+67.3
Zimbabwe[15]	(5)	550.21	+0.1	+16.2	888.89	+0.7	+17.8
Composite	(1225)	315.42	+0.6	+6.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Pakistan's share prices are expected to continue this week's impressive surge when the market reopens today after yesterday's local religious holiday, *writes Farhan Bokhari.* The KSE-100 index has risen by a little over 7 per cent this week, mainly in response to the victory of Mr Nawaz Sharif, a businessman turned politician, in Monday's general election.

Mr Sharif's remarks that his Pakistan Muslim League party would introduce economic and tax reforms have added to the optimism. Many investors credit him for the country's economic reforms of the early 1990s when foreign buyers were allowed for the first time to invest in local shares without any restrictions.

According to Mr Nasir Bukhari, head of Karachi's Khadim Ali Shah Bukhari brokerage: "The market is jubilant over Nawaz Sharif's victory. Investors see this as the most important sign for business confidence". The relief also reflects expectations of political stability in Karachi. The city, also Pakistan's business capital, was paralysed for almost two years by the armed struggle by the Mohajir Qaumi Movement, a local ethnic party, against the government of Ms Benazir Bhutto, the former prime minister.

In spite of the optimism, the Sharif government will remain under pressure to cut government expenditure and reduce Pakistan's fiscal deficit as one of the important conditions of an agreement with the IMF.

Further cuts in the government's budget will hit expenditures on development such as roads and electricity, and make it difficult for the new government to introduce new incentives for industrial growth, analysts say. However, brokers such as Mr Bukhari expect this week's recovery to continue. "Last year's downturn carried on for so long and the fall in share prices was so sharp that a recovery may continue for several months," he says.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Feb 4 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Feb 3 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (76)	211.57	−1.3	193.75	163.39	180.55	184.41	−0.9	4.13	214.38	197.19	165.02	183.11	186.01	224.61	188.44	199.13
Austria (24)	183.71	−0.2	168.24	141.88	156.78	156.71	−0.3	1.82	184.05	169.29	141.67	157.20	157.12	195.04	174.70	187.32
Belgium (26)	230.59	−0.3	211.16	178.08	196.79	192.64	−0.3	3.35	231.25	212.70	178.00	197.52	193.30	233.47	203.64	215.35
Brazil (28)	216.98	0.2	198.71	167.57	185.17	417.81	0.3	1.46	216.62	199.25	166.74	185.02	416.60	216.98	147.48	170.25
Canada (114)	201.24	0.2	184.30	155.42	171.74	195.59	0.1	1.87	200.91	184.80	154.65	171.60	195.47	201.62	153.61	157.18
Denmark (32)	364.92	0.5	334.19	281.82	311.42	310.94	0.5	1.41	363.06	333.94	279.46	310.10	309.49	365.15	291.30	299.20
Finland (28)	258.92	0.1	237.11	199.96	220.96	265.78	0.1	1.87	258.61	237.87	199.06	220.88	265.66	262.72	174.47	185.52
France (92)	216.46	−0.1	198.24	167.17	184.73	188.51	−0.2	2.60	216.76	199.38	166.85	185.14	188.82	218.06	182.80	186.38
Germany (59)	189.83	0.3	173.85	146.60	162.00	162.00	0.2	1.53	189.23	174.05	145.65	161.63	161.63	191.17	164.47	170.45
Hong Kong (59)	500.25	0.7	458.13	386.34	426.91	497.72	0.7	3.12	496.68	456.84	382.31	424.23	494.18	514.49	402.53	447.68
Indonesia (27)	241.13	−2.0	220.83	186.22	205.78	351.18	−1.9	1.62	246.04	226.31	189.38	210.15	358.17	–	–	–
Ireland (16)	328.01	−0.3	300.39	253.32	279.92	288.42	−0.5	3.17	328.90	302.52	253.16	280.92	290.76	333.22	254.35	258.12
Italy (58)	93.31	1.2	85.45	72.06	79.63	112.90	1.0	1.85	92.20	84.80	70.96	78.75	111.76	96.32	70.61	79.62
Japan (480)	114.18	0.3	104.57	88.18	97.44	88.18	0.6	0.88	113.84	104.71	87.63	97.23	87.63	164.68	111.96	152.71
Malaysia (107)	629.21	0.3	576.23	485.93	536.96	604.86	0.7	1.03	627.58	577.24	483.06	536.03	600.70	629.21	511.96	520.84
Mexico (27)	1328.73	0.3	1216.84	1026.16	1133.93	11381.69	0.5	0.97	1324.80	1218.54	1019.73	1131.54	11327.00	1364.02	1046.55	1211.63
Netherland (19)	330.93	0.8	303.06	255.57	282.41	278.50	0.7	2.65	328.42	302.08	252.79	280.51	276.64	336.15	274.35	274.73
New Zealand (14)	89.20	−2.1	81.69	68.89	76.12	68.72	−2.2	4.06	91.09	83.78	70.11	77.80	70.25	95.60	75.94	80.31
Norway (41)	319.57	0.4	292.66	246.80	272.72	279.84	−0.4	1.61	318.23	292.70	244.95	271.80	280.91	319.57	230.41	230.41
Philippines (22)	212.53	−0.7	194.64	164.14	181.38	278.88	−0.7	0.62	214.07	196.90	164.77	182.84	280.95	–	–	–
Singapore (43)	432.33	−0.8	395.92	333.88	368.94	280.73	−0.7	0.98	435.71	400.77	335.38	372.15	282.81	465.21	371.28	458.61
South Africa (44)	333.92	1.1	305.80	257.88	284.97	330.44	1.0	2.46	330.32	303.82	254.25	282.13	327.09	437.76	301.49	437.76
Spain (35)	213.70	0.5	195.70	165.04	182.37	225.35	0.1	2.78	212.71	195.65	163.73	181.68	225.08	228.16	161.86	165.40
Sweden (50)	420.51	−0.3	385.10	324.75	358.86	455.00	−0.1	1.96	421.79	387.96	324.66	360.26	455.21	432.49	306.88	310.80
Switzerland (35)	246.10	−0.1	226.37	190.06	210.02	217.46	0.2	1.34	246.36	226.60	189.63	210.42	217.01	254.34	222.56	222.56
Thailand (45)	87.06	2.2	79.73	67.23	74.30	87.53	2.2	3.81	85.17	78.34	65.56	72.75	85.60	193.95	85.17	192.03
United Kingdom (211)	276.49	0.5	253.21	213.53	235.96	253.21	0.1	3.75	275.07	253.00	211.73	234.94	253.00	283.17	224.39	231.18
USA (654)	321.10	0.3	294.06	247.98	274.02	321.10	0.3	1.85	320.27	294.58	246.52	273.55	320.27	321.10	254.79	259.08
Americas (823)	294.02	0.2	269.26	227.07	250.92	247.17	0.2	1.84	293.28	269.76	225.74	250.50	246.55	294.02	233.09	236.95
Europe (726)	239.68	0.3	219.50	185.10	204.54	217.18	0.2	2.68	238.89	219.73	183.88	204.04	216.84	242.22	201.66	203.06
Nordic (151)	370.06	0.0	338.90	285.79	315.81	345.12	0.0	1.84	370.19	340.50	284.94	316.19	345.09	375.85	275.13	276.37
Pacific Basin (873)	135.57	0.2	124.15	104.70	115.69	103.97	0.5	1.38	135.34	124.48	104.17	115.59	103.49	177.01	133.54	166.26
Euro-Pacific (1599)	178.94	0.3	163.87	138.19	152.70	146.72	0.3	2.11	178.47	164.16	137.37	152.44	146.29	191.51	176.40	181.50
North America (768)	313.91	0.2	287.47	242.43	267.89	312.83	0.2	1.85	313.11	288.00	241.01	267.44	312.05	313.91	248.65	252.76
Europe Ex. UK (515)	214.65	0.2	196.57	165.77	183.18	193.60	0.2	2.07	214.18	197.00	164.86	182.93	193.22	215.56	181.80	183.24
Pacific Ex. Japan (393)	313.24	−0.2	286.86	241.91	267.32	273.10	0.0	2.71	313.81	288.64	241.54	268.03	273.05	320.65	268.97	291.42
World Ex. US (1812)	182.54	0.3	167.17	140.97	155.78	152.66	0.3	2.09	182.05	167.45	140.13	155.49	152.21	193.47	177.71	183.53
World Ex. UK (2255)	221.97	0.2	203.28	171.43	189.43	195.86	0.3	1.78	221.45	203.69	170.45	189.14	195.27	224.89	199.58	204.24
World Ex. Japan (1986)	284.07	0.3	260.15	219.38	242.42	272.32	0.2	2.18	283.34	260.62	218.09	242.01	271.74	284.07	233.10	236.63
The World Index (2466)	226.64	0.3	207.56	175.03	193.42	201.10	0.3	1.98	226.05	207.92	173.99	193.07	200.54	228.97	202.32	206.64

The Business of Travel

Welcome to the first issue of the Business of Travel, a new review which will appear four times a year with the Financial Times, focusing on the latest developments in business travel and travel management.

This issue, which has been timed to coincide with the Business Travel 97 show being held at London's Business Design Centre, from Tuesday February 11 until Thursday February 13, concentrates on developments in conferences and exhibitions. The range of articles, includes how to organise your conference, how to keep the audience's attention, and how to evaluate whether it has been a success.

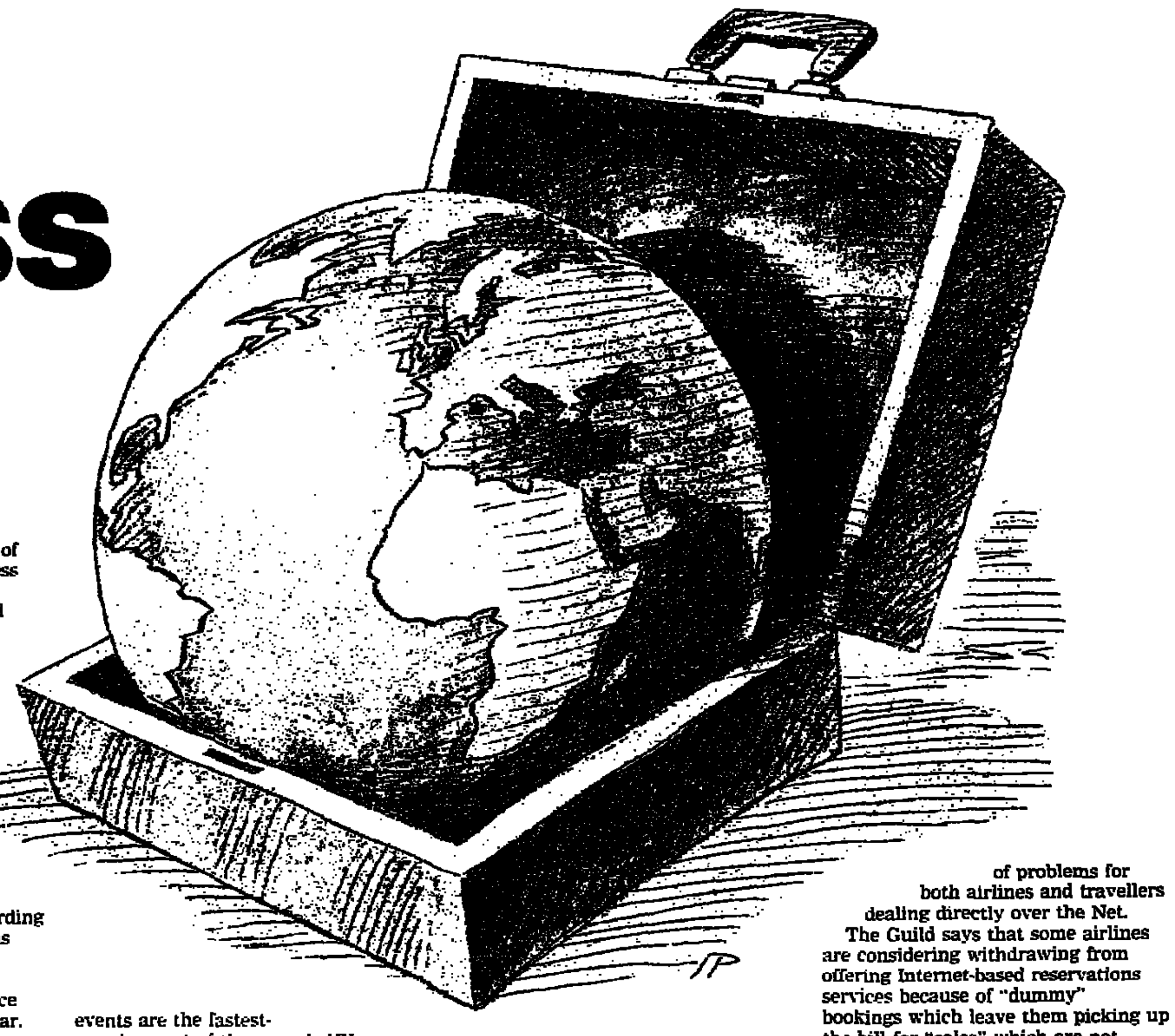
In addition, there are reports on a wide variety of other themes, including the latest on air and rail travel, the hotel industry and travellers' experiences. There is also a special guide for business travellers to some of the main centres in south-east Asia and a listing of important world conferences and exhibitions.

Future issues planned for May 15, September 9, and November 20 will follow a broadly similar format, and will contain a section on an important industry theme, together with regular features and guides.

Readers' comments on this publication, on travel issues, their experiences travelling on business, and on other topics of relevance to the international traveller are welcomed, and should be sent to:

The Editor
Business of Travel Review
FT Surveys
Number One Southwark Bridge
London SE1 9HL

Fax: +44 (0)171 873 3197



By Scheherazade Daneshkhu

Business travel is becoming more expensive after sharp rises in the cost of hotels and air travel last year. American Express, the card issuer and business travel agent, estimates that hotel prices in many parts of the world rose by up to 20 per cent. US air fares increased by 11 per cent in the first eight months of last year compared to the previous year, according to Business Travel International, the global travel agency partnership.

The rise in air fares was partly due to the return of a US federal tax on airline tickets, according to BTI, but heavy demand has also been instrumental in pushing up prices.

As the cost of business travel rises, travellers and suppliers have been redoubling their efforts to control costs, often at the expense of the business travel agent. Commission-capping by airlines has spread from the US into Europe, with airlines such as British Airways, Lufthansa and SAS capping payments to travel agents on domestic flights, according to American Express.

Richard Lovell, executive vice-president for northern Europe at Carlson Wagonlit, the business travel agent, predicts consolidation in the airline industry but does not foresee an end to attempts to cut back on travel agents' costs. "There will be fewer suppliers and they will try to bypass the business travel agent to sell direct to the corporate client or, in some cases, go over the heads of the corporate client to the business traveller," he says.

For this reason, business travel agents are generating alternative ways to earn fees in order to reduce their reliance on commission. Maria Lilja, senior vice-president of American Express' European business travel operations, believes that managing this change is the greatest challenge facing the company.

Providing self-service tools to corporate clients is an important part of the redefined business travel agent's role, according to Ms Lilja. American Express has been working with Microsoft, the software production company, to develop a real-time booking service for launch in the US later this year. This will allow corporate travellers to reserve and book travel on their personal computers or laptops. The system can incorporate negotiated rates and travel policy guidelines, and the information is stored to monitor compliance and identify ways of reducing travel budgets.

Travel agents' expanding services include handling conferences. Jeff Reynolds, manager of group travel at Hogg Robinson, the business travel agent which entered the conference market six years ago, says these events are the fastest-growing part of the group's UK business.

Marshall Freeman, chairman and chief executive of Miller Freeman Worldwide, the exhibitions and magazines division of United News & Media in the UK, says that business travel is being stimulated by the globalisation of marketing, which is leading to growing numbers of trade fairs and exhibitions.

So far, business travel agents have been successful in managing this change. Mr Lovell says that Carlson Wagonlit's income was entirely commission-based 10 years ago but now half comes from fees. The company's target is to reach a 75 per cent fee basis by the end of next year, but he believes it is unrealistic to expect payment by commission to disappear altogether.

Moreover, some business travel agents believe that suppliers will not be as successful as they hope in bypassing travel agents through new technology.

The Guild of Business Travel Agents, the UK-based industry body, says that use of the Internet to make travel bookings could increase the involvement of the business travel agent after the emergence in the US of problems for both airlines and travellers dealing directly over the Net.

The Guild says that some airlines are considering withdrawing from offering Internet-based reservations services because of "dummy" bookings which leave them picking up the bill for "sales" which are not honoured. Bona fide travellers, meanwhile, are left facing the frustration of being unable to obtain seats on a flight because of fictitious bookings.

"The cost to airlines through lost revenue and increased administration in eliminating dummy bookings could also be passed on to the consumer in higher air fares," said George Paton, the guild's chairman.

"The Internet has a significant role to play in the planning of travel, but professional help will be needed to make bookings for a long time to come."

IN THIS REVIEW

Editorial production: Ian MacDonald
Design: Philip Hunt

Travel management

Agencies are becoming just the ticket

Serious travel budgets need serious management, says **Amon Cohen,** who looks at some of the services on offer

The cost of corporate travel is rocketing, especially in booming Britain. Spending on air tickets through members of the Guild of Business Travel Agents, who handle more than 75 per cent of all corporate travel in the UK, increased 17 per cent in the year to last October 31.

The number of flights flown was up 8.5 per cent, suggesting that both rising ticket prices and increased overseas activity by UK businesses are responsible. The GBTA's chairman, Tony Hughes forecasts a similar advance in 1997.

In the face of such increases, businesses are realising it is no longer good enough for each of their travellers' secretaries to book flights by calling their favourite retail travel agency. Serious budgets require serious, professional management. The question is, by whom?

Most companies believe that a dedicated business travel agent is essential. These days, the agent will be less concerned with issuing tickets than providing the key management information for negotiating discounts with travel suppliers in return for guaranteeing minimum volumes of business.

The old agency role of taking telephone orders and booking tickets is increasingly being lost to electronic reservations systems, which travellers can call up on their own PCs. That does not mean, however, that a company can manage without its agent.

"The marketplace is so complex that our clients need our skills to understand it," says Mr Hughes, who is also managing director of P&O Travel. "Do they do their own legal work? They need travel management advisers in just the same way."

His view is supported by Richard Cornwell, senior travel and functions manager at Price Waterhouse. "We could well be using a self-booking system by this time next year but we will still need a travel agency to audit our activities," he says.

However, one area where travel agents are increasingly losing business is accommodation. There has been a trend recently for companies to hand this job over to specialist hotel booking agencies.

Price Waterhouse is one such example. It uses a travel agency for its general business travel requirements but an hotel agency for its accommodation. Mr Cornwell says the agency's specialisation gives it enhanced negotiating power with hotels and leaves it without the distractions of the other travel demands of its clients. The hotels sector is following the trend set by conference organisers, a chunk of the travel budget bitten off by the specialists long ago.

Mr Hughes does not see the need for this segmentation – nearly all his members have hotel and conference experts, making it unnecessary to use anyone other than a high-quality business travel agent, he says.

With an array of travel consultancy agreements in place, companies must consider whether they need an in-house manager to co-ordinate them all. Having such a link within the company, however, is much appreciated by the agents.

"For larger companies, it is better to have an employee who understands the way their company ticks to a degree that their travel agent, no matter how good they are, could not know," says Mr Hughes. As for what size travel budget merits a dedicated staff travel manager, Mr Hughes says £1m is as good a figure as any.

As chairman of the Institute of Travel Management, Mr Cornwell, not surprisingly agrees with the need for travel managers. "If nothing else, someone has to write the company travel policy," he says. "But by knowing the business and the people in it, we are also more likely to negotiate better deals with travel suppliers than anyone else in the company."

Travel arrangements can be made or amended while on the move with the help of a laptop PC

NET NOTES By Stephen McGookin

Screen offers easy checks

For business travellers who like – or have – to arrange their own trip itineraries, the Internet allows you to sample a range of electronic travel services, obtain fare quotations for flights and book tickets or hotel accommodation online.

If you're intending to visit a city for the first time, check by using any search engine for more background information than you could reasonably wish for. For virtually any big city you should be able to download maps, public transportation details and other essential information.

To ease administrative bottlenecks before you leave, there is a lot of official information which can help frequent travellers; for example, the US State Department's Bureau of Consular Affairs has an FAQ page covering passports and citizenship issues (*http://travel.state.gov/ppt_faq.html*).

Other government sites offer similar information, or at the very least give you a phone number you can call for advice.

Although experience in the US shows that airlines' remote flight ordering, or 'E-ticketing', has yet to be proven completely error-free – you should always request a faxed or e-mailed confirmation if ordering remotely. There are several outlets which will cater for your travel requirements online.

Among these 'cybertravel agents', Flifo (*www.flifo.com*) is a US service currently in test form for UK residents, which allows access to flight information and, using its Fare Beater function, searches for the lowest alternative prices for a specified flight.

In the US, tickets can be ordered via a secure server and delivered through Federal Express.

The site's Travel Zone feature also has a range of interesting and helpful travel-related articles. And it is not just airlines which allow you to book online. Eurostar, the train service between London and continental Europe, plans to introduce a booking facility at its site *www.eurostar.com/eurostar*

eurostar

When you arrive at your destination, many of the world's leading hotels will allow you to reserve your accommodation through the Net. Links to leading chains can be found at *www.hotelstravel.com/chains.html*

If you are travelling purely on business, sites such as Worldmeeting.com (*www.worldmeeting.com*) – which bills itself as the "one-stop Internet site for organising your meetings" – can be useful since they will have details of hotel meeting and conference facilities, as well as suppliers of products for exhibitors and conference organisers.

Never again need you be further than a phone call away from an overhead projector.

But when busy executives are finished work and looking for relaxation, there is no shortage of sites advertising local leisure activities, such as UK Golf (*http://uk-golf.com*), for anyone planning to play and stay in Britain, with information on hotels, golf courses and golf-related travel agents.

In the US, a similar example is Double Eagle Golf (*www.double-eagle-golf.com*), which organises golf and corporate hospitality packages designed around major sporting events, as well as incentive travel programmes.

● Stephen McGookin (*steve.mcgookin@ft.com*) welcomes suggestions for new business travel-related web sites. Also, check the Business Traveller section on the FT's web site, *www.FT.com*

COMPANY STUDY IBM

Suitable case for treatment

If ever a company needed radical action to control its travel expenditure, it was International Business Machines. In the UK alone, "Big Blue's" travel spend has risen 20 per cent a year since 1994 to around ($48m. In continental Europe, the company spends an "estimated" $300m a year on travel.

One reason for that dramatic rise was the reorganisation of IBM by business rather than by country. With an employee in Frankfurt as likely to have a team member in Paris as in Munich, demand for travel rocketed. But another significant reason for the rise was that IBM had failed to understand and control its travel budget. Having between 40 and 50 different agents in Europe did not help.

"We needed to get a better handle on where we were spending money with airlines and hotels," says IBM commodity operations manager Bob Gisborne. "We could not do that with our own systems, so the obvious tool was a travel agent. The trouble was that when we looked at how much we spent with British Airways, for example, it was a very manual exercise because we had to go to each country and to each agent within that country to get the figures."

Consolidation with a single agent was the obvious answer, and in the last year IBM has awarded the whole of Europe to Carlson Wagonlit Travel, while American Express has picked up North America and JTB has won the east Asia contract.

Yet, although this was the obvious answer, it took a long time for IBM to find it – in fact, it took eight years and several false starts.

According to Mr Gisborne, the biggest mistake among the earlier attempts at consolidation was the failure to enthuse local management. No matter how sound the case for using the same agency throughout Europe, it was very difficult to prise a local division away from the agent with which it had enjoyed a warm, trouble-free relationship for 20 years.

The answer, says Mr Gisborne was to appoint a multinational team of IBM employees to co-ordinate agency selection. It took the team 18 months to crack the task but it already seems to be paying off. In the UK, the alarming escalation of costs has been halted.

Next year, the goal is to move from cost containment to cost reduction by using the improved spending information for tougher negotiations with travel suppliers. "We will be able to show the airlines exactly what would happen if we moved to another carrier. From now on, we will be able to switch suppliers with just one phone call," says Mr Gisborne.

But IBM will be able to impress the airlines only if it can make commitments to give them minimum volumes or market share on any given route. IBM must then ensure employees deliver those commitments by flying with the preferred airlines and not with those which give points towards their favourite frequent-flyer scheme.

The key here is to tighten and monitor the written travel policy. Previously confined to one sheet of paper that was routinely ignored by some countries, the new IBM Europe policy will be much more detailed about which suppliers may be used. Money is also being saved by tougher rules on the use of business class.

"The need to travel is so great at the moment that we could do another three or four trips in economy for the same price as one business-class ticket," says Mr Gisborne.

With agency choice cracked and corporate policy on the way, Mr Gisborne's next mission is to bring hotel spending under control. "That will be much harder – employees want to stay at their favourite hotel, regardless of whether it is on the approved list," he says.

But after a year of success on other travel fronts, don't bet against IBM winning this battle, too.

Amon Cohen

Conferences & exhibitions

Value for money and appeal are the essentials

Event organisers must keep an eye on changing needs, says Scheherazade Daneshkhu

The buoyancy of the conferences and exhibitions industry is linked primarily to economic conditions and the strength of individual industries. But the key to a successful event is being flexible enough to meet customers' changing needs.

Although the industry is quick to defend the importance of the traditional conference and exhibition in the face of technological advances – such as teleconferencing and business television – there is little doubt that the traditional event is having to change.

Delivering value for money in the cost-conscious 1990s is increasingly important, while pressures of time on companies streamlined for efficiency mean fewer employees are able to travel. And when they do, they tend to spend less time at the event.

"It is already difficult to get people to attend a meeting if they are not directly employed by the company sponsoring it," says Pete Brady, chief executive of Clearwater Communications, the London-based conference production company. "So the shape of conferences will have to change to make them more appealing."

Many delegates to industry conferences place greater value on networking opportunities than speeches, however senior the person delivering it.

This means that many organisers are having to build in "breakout sessions" for people with shared interests instead of filling delegates' time with presentations of the company's message.

Teleconferencing may not be able to replace the attractions of face-to-face contact but is likely to become an increasingly important conference tool to link audiences in different parts of the world. The computer industry has used it to connect audiences in Europe with speakers in California's Silicon Valley for a number of years.

The increasing globalisation of industries and markets also means that the international meeting is fast becoming the rule rather than the exception, according to Sue Potton, manager of sales for the UK and North America at the Queen Elizabeth II Conference Centre in London. This means ever-greater attention to detail to ensure a trouble-free meeting.

In the US, exhibitions and conference activity is still buoyant and is continuing to be stimulated by the scope for niche shows, according to Marshall Freeman, chairman and chief executive of Miller Freeman Worldwide, part of United News and Media, which last year took over Blenheim to become the world's largest exhibitions organiser.

"The markets in the US are big enough so that niche industry shows are large events in themselves," says Mr Freeman. Another stimulus to the US industry is coming from the trend for overseas product suppliers to use trade shows to exhibit their products directly to retailers instead of business buyers. This method is used to bypass or supplement the traditional route of contacting an importer for distribution.

Asia remains the fastest growing conference and exhibitions market with the only potential limiting factor being venue space, according to Mr Freeman. Patricia Conibear, manager for Europe at the Hong Kong Convention and Incentive Travel Bureau, says that over the past few years the region's growth has been led by its fast-growing economies and the value of its potential audience. Trade bodies have taken shows to where the buyers are, while professional associations have gone to the region to attract new members.

China is emerging as a potentially exciting conference and exhibition destination and, after the British handover of Hong Kong to China on July 1, Hong Kong is positioning itself to become the hub for shows aimed at trade between China and the rest of the world.

South America is also an increasingly attractive exhibition destination, but can suffer from a shortage of good quality space.

Exhibition activity has grown in Europe despite the maturity of the market and the continuing recession in Germany and France. The number of exhibition days rose in 1995 by 6 per cent compared to 1993 – the comparable year due to the two-year cycle of exhibitions.

The number of visitors grew by 12 per cent to just under 30m, according to the European Major Exhibition Centres Association. "The growth in the level of participation at exhibitions is an encouraging sign for the industry as much of Europe was still weathering the recession in this period," says Michel Berroeta, president of the association. In the UK, the number of conferences increased by 30 per cent in 1995 compared to 1994, according to the British Tourist Authority, while the number of exhibitions grew in line with the European average. However, the number of visitors to exhibitions declined by 6 per cent to 9.71m from last year's five-year high of 10.28m.

Video-conferencing has for years been popular for linking small groups. Now the technology is making advances in the conference and exhibition industries

Seminars play an important role

Exhibitions have become far more sophisticated in recent years, says Motoko Rich

Trade exhibitions have come a long way since the days when visitors were shepherded into a hall full of booths and stands, garnished with a few yards of red carpet and some advertising.

Nowadays, exhibitions are far more sophisticated, with organisers adding seminars, workshops and even conferences to the fare as exhibitors try to tempt their visitors with new products.

While free-standing exhibitions provide exhibitors with the chance to exchange ideas and see how their industry peers operate, visitors are less well served if they do not have separate forums in which they can meet each other.

Seminars or workshops give business visitors that opportunity: in a room together, they can exchange views, learn how others in the industry handle difficult problems or discuss the salient issues of the day.

One example is provided by the Royal Smithfield Show, the exhibition for the UK farming industry. P&O Events, the subsidiary of the Peninsular & Oriental Steam Company which organised the show, last year ran a forum on BSE (or "mad cow disease") for the visitors. "The seminars are a very key part of the show, and we promote them as part of the visitor package," says Jonathan Goold, managing director of P&O Events.

Seminars provide organisers with an arena to develop the concept of the exhibition beyond pure product demonstration. At their best, secondary services like seminars should stimulate the visitors, giving them a reason to attend the exhibition that is almost distinct from the product displays.

Mr Goold says the seminar component became more popular during the last recession, when exhibition attendees were not buying many new products, but organisers still wanted to entice them to the shows. "So we increased the content in the show, adding a business and an intellectual component as well," says Mr Goold.

P&O Events works with trade publications to promote and design the content of the seminars and exhibitions. "They can help us get the right speakers," says Mr Goold. "What we are doing is moving the show from being purely a day out into much more of a serious business event."

A seminar works best if visitors are able to spend more than one day at the exhibition, otherwise they may have too little time to take in the exhibits.

Organisers might also consider enhancing their exhibition with other supplementary services, such as an Internet web page for those who cannot attend. "Organisers should look to supplement their investments by integrating several forms of communication," says Nick Lamb, managing director of Crown Business Communications in the UK.

While virtually all trade exhibitions are likely to benefit from the addition of seminars or other ancillary services, some events – such as the annual Ideal Home Exhibition in London – may not be suited to such supplementary products.

Conferences & exhibitions

Remember the fundamentals

Motoko Rich listens to advice on organising a successful event - and discovers that the shape of a table can be as important as choosing the right speaker

Rectangular or round tables: could the success of a conference hinge on such a detail?

Quite possibly. "If you want your delegates to have a chance to network, consider sitting people at round tables during lunch. This will facilitate conversation," says David Pegler, managing director of Miller Freeman Exhibitions, a subsidiary of Britain's United News & Media.

Delegates will meet and talk without the help of circular tables, but details such as this can mean the difference between satisfied conference participants and bored, disgruntled ones.

While there is no substitute for good speakers and a *relevant subject, ancillary* services require attention. For as trivial as they may seem, the proximity of car *parks and the frequency and* length of refreshment breaks do matter.

"Never forget the fundamentals," says Peter Worger, general manager of the Association for Conferences and Events. "They are as important as the main speaker. If your tea breaks are late, or your lunch overruns, or your audio systems do not work, *then you will get people fidgeting* and things will start to fall apart."

A non-fidgeting audience *is one of the holy grails of* conference organising. This principle should govern the selection of the venue and *the length of the sessions.*

"No matter how dynamic a subject, if the delegates are not comfortable they will be *distracted," says Mr Worger.* "Sessions should be kept short and sharp. The viable attention span is normally *about 20 minutes. To listen* to someone consistently and coherently for 45 minutes is quite difficult."

Mr Worger warns that conference planners should be careful about the provision of audio visual equipment. "It is fine if the venue provides *for easy understanding* of the visual aids," he says. "But if Charlie is at the back of the hall behind a pillar, he won't see the equipment and he'll start to fidget."

To make sure that all of the details are in order, *organisers should leave* themselves as much time as possible before the event. "You need very good and *structured planning," says* Adriaan Appels, senior manager in charge of corporate marketing at Europay, the *European payment card consortium* which mounts conferences for its member-banks every other year.

For Europay's conference in Seville last year, Mr Appels and his team started preparations 18 months *before the event. He is* already busying himself with the details of the consortium's conference in Cannes, to be held in September 1998. Europay has decided this event will be too large for it to organise on its own so it is asking a *professional conference organiser for help.* For large conventions, this may be the best route, although the cost of bringing *in professional help could* cost anything between £50,000 and £2m, depending on size and extravagance.

A vital point – it would seem obvious but is sometimes given insufficient attention by organisers and *sponsors – is the need to* ensure that the subject and content of the conference is appropriate for its audience *and that the material presented* is informative.

Specific content rather than general is usually better, *advises Mr* Pegler. A conference which is linked to a marketing campaign should be able to answer several key questions about *the product or products* it is trying to sell.

Mr Pegler says a sales conference should convey *whether the product is new* or an upgrade of an earlier model, whether it actually represents a totally new *innovation, what the implications* and benefits of its use are, how it fits into the global market and who its *competitors are, and what* changes it will necessitate in the working practices of its users.

He adds that a successful conference will also involve a training or educational component. "People want *both theoretical and practical* content."

Sales conference planners are encouraged to present delegates with practical applications of the products. At its conference in Seville last year, Europay launched "Clip", an electronic purse that allows *customers to pay* with plastic rather than cash, even on very small transactions. To demontrate *the new card to representatives* of its member banks, Europay built a "model town" in which delegates *could use a sample card to* pay for drinks postcards, newspapers and ice cream.

At the end of the day, *though, the best conference* organisers remember what the delegates are there for. Planners should be focused *and know what they want to* pass on to the audience. Mr Worger warns organisers against using too many stylistic *frills. He says:* "A good speaker who is in a well-lit venue and has short, sharp sessions usually gets a better reaction than any wizzy, dynamic technology demonstrations."

Mystery tour with a clear message

Communication is the objective; and unusual events can pay dividends, reports **Amon Cohen**

A couple of nights before Christmas, 800 employees of *Rinjhaave Groep, a Dutch* subsidiary of British Telecom, gathered in a car park *for* a mystery tour.

From there, a fleet of vintage buses conveyed them to a television studio, where they learned through watching *a mock TV* programme that the company was changing its name and branding to that of Syntegra, *its sister* operation in the UK.

After a celebratory party, they were returned to the Amsterdam car park *in* pristine new buses to find Christmas boxes awaiting them in the new company *colours.*

This was an unusual conference by any standards, but Barry Murphy, head of *communications for* Syntegra, a business systems consultancy, was pleased with the night's work. "We *communicated with 800* people *in a way that would* not have been possible if they had not all been involved *personally," he* says.

Mr Murphy's department is responsible for all *international conferences* at Syntegra. He regards a conference as one of a range of options for *communicating with staff.* It is the most effective of those options, but it is also the most expensive. For that *reason, the prime* consideration when planning any conference, as far as Mr Murphy is concerned, is to *be clear about what* communications purpose it serves and whether those needs can be addressed in a *less expensive manner.*

"The worst reason for having a conference is that everyone else does," he says. "It is a big investment by *both the company* and by employees, who will be spending time away from their work or their family or *both."*

Good reasons for staging one are: creating a forum for explaining company issues; *listening to staff views;* and recognising and motivating individuals. "There is also likely to be much more *creative strategic thinking* away from the day-to-day routine," says Mr Murphy. "It is a time to talk to other *colleagues, especially* from abroad, and to build team spirit. However, attendance at a conference is not a prize *in itself – it is not an* incentive trip. There should always be a serious business core to the event."

Before rushing off to book the nearest country hotel, Mr Murphy says a conference organiser should *consider how the conference* can be structured to meet these diverse requirements. He also has a seven-point list *of tips for any company* considering staging an internal conference:

- Make sure that a single *department* or person in your company organises all conferences, otherwise time is wasted as *non-specialists learn skills* and knowledge they might only need once a year. Syntegra has a dedicated conference project manager who has specialised in the field for 15 years.
- There are many excellent *consultancies that will help* you organise your conference, but do not simply set them a budget and leave them to do the rest. "The basic ideas and objectives must come from the organisation," says Mr Murphy.
- Decide whether you want to stage the conference at the weekend, which is more of a burden on employees, or during the week, which is more of a burden on the employer. "You have to balance the investment made by he individual and the organisation," says Mr Murphy. "We tend to organise conferences that *start* at the weekend and finish during the week, or vice-versa.
- By all means invite a celebrity to speak – but only for after-dinner speaking, not to facilitate the business sessions. "We are all grown-up people," says Mr Murphy. "We know the celebrity is not from the organisation."
- Sessions do not have to be facilitated by senior management either. It removes barriers if employees *see* their peers take charge. However, a homegrown approach should be no excuse for anything other than a *top-class* presentation. "If it is sub-standard, then we are communicating that we cannot organise things and that is a waste of our resources," Mr Murphy says.
- Decide how long to *allocate for work,* social events and free time. "We tend not to give a lot of free time," says Mr Murphy. *"That is not what we are* there for."

At one recent Syntegra sales conference, 60 per cent of the waking hours were spent on business, 30 per cent on eating and other social activities, and 10 per cent *on a team-building* exercise which employees completed at their leisure.

Conferences & exhibitions

■ MARCH

Date	Event	Venue	Contact
Mar 1-2	International wines and spirits exhibition	Dusseldorf	+49 211 45 60 01
Mar 1-5	International food industry exhibition	Barcelona	+44 181 742 2828
Mar 1-5	Transport and logistics exhibition	Barcelona	+44 181 742 2828
Mar 2-5	Intl gastrononomy and tourism fair	Klagenfurt	+43 46 35 68 000
Mar 3-6	Plasindia conference	New Delhi	+44 171 237 9777
Mar 4-5	FT world steel conference	London	+44 171 896 2626
Mar 4-5	Medical design and materials conference	London	+44 1244 378888
Mar 4-6	Safety and health at work exhibition	London	+44 181 207 6599
Mar 5	World motor industry conference	Geneva	+44 171 830 1000
Mar 5-6	Glass conference	Bombay	+44 171 237 9777
Mar 5-6	Investing in Russia conference	New York	+44 171 237 9777
Mar 5-7	Water preservation congress	Austria	+43 55 74 4130
Mar 5-8	TV Monte Carlo conference	Monte Carlo	+44 171 237 9777
Mar 5-9	International motorcycle exhibition	Dortmund	+49 231 120 4521
Mar 6-16	International motor show	Geneva	+41 22 761 11 11
Mar 7-9	European building and heating trade fair	Vienna	+43 76 12 79 57 00
Mar 7-10	Transport and logistics fair	Barcelona	+34 1 72 25 000
Mar 8-12	International tourism exchange	Berlin	+49 30 38 30 66
Mar 9-11	International show fashion fair	Paris	+33 44 15 15 15
Mar 10-18	Plant engineering conference	Chicago	+44 171 237 9777
Mar 10-21	Sportswear trade fair	Innsbruck	+43 512 50360
Mar 11-12	Hotel and catering trade exhibition	Bournemouth	+44 1202552122
Mar 11-12	Environmental management conference	Belfast	+44 1846 603603
Mar 11-14	International direct marketing fair	London	+44 181 910 7910
Mar 12-15	Investment fair	Moscow	+7095 255 37 33
Mar 13-16	International leather goods exhibition	Milan	+39 2 8901 0020
Mar 13-19	Office, information and telecomms fair	Hanover	+44 181 688 954 1
Mar 13-19	Information and telecommunications fair	Hanover	+44 181 688 9541
Mar 14-16	Franchising seminar and exhibition	Brussels	+49 3 354 08 80
Mar 15-16	Middle East oil conference	Bahrain	+44 171 237 9777
Mar 15-16	Property investment financing fair	Munich	+49 89 5107 0
Mar 15-18	MEOS energy conference	Bangkok	+44 171 237 9777
Mar 18-20	Clothing and home textiles exhibition	Helsinki	+358 0 150 91
Mar 18-21	EBIC information business conference	Berlin	+44 171 251 5522
Mar 18-21	Restaurants and catering fair	Stockholm	+46 8 749 41 00
Mar 18-21	Industrial & consumer electronics fair	Prague	+44 1244 681 619
Mar 18-21	Power, environment, mining conference	Moscow	+44 171 237 9777
Mar 18-23	EBIC business information conference	Berlin	+44 171 237 9777
Mar 19	Security exhibition	Nottingham	+44 1782 265511
Mar 19-20	Travel trade fair	Birmingham	+44 181 910 7910
Mar 19-21	Interclean Asia environmental conference	Singapore	+44 171 237 9777
Mar 19-21	Worldwide licensing exposition	London	+44 1722 339811
Mar 19-21	Lipidex food and catering conference	Antwerp	+44 171 237 9777
Mar 20-21	Pensions and life assurance conference	Paris	+44 171 237 9777
Mar 20-21	Channel tunnel conference	Lille	+44 171 222 7899
Mar 20-23	Water treatment exhibition	Nicosia	+357 2 313444
Mar 20-23	Transport '97	Denmark	+45 97 12 60 00
Mar 20-23	Leipzig book fair	Leipzig	+44 181 953 1688
Mar 21-23	Food and wine fair	Manchester	+44 171 921 5983
Mar 23-25	Middle East fire and security conference	Bahrain	+44 171 237 9777
Mar 24-25	FT world pharmaceuticals conference	London	+44 171 896 2626
Mar 24-26	British Accounting Association conference	Birmingham	+44 121 200 2000
Mar 25-27	World physics exhibition	Leeds	+44 171 470 4800
Mar 25-28	Industrial cleaning conference	Paris	+33 1 4742 9256
Mar 26-28	International recycling exhibition	Paris	+44 1707 275641
Mar 26-27	Shoe fair	Innsbruck	+43 512 50360
Mar 28-29	Property research conference	Singapore	+44 171 237 9777

■ APRIL

Date	Event	Venue	Contact
Apr 1-2	Petrochemicals conference	Singapore	+44 171 237 9777
Apr 1-5	German Surgical Society conference	Munich	+49 89 51070
Apr 2-5	Info-tech exhibition	Sarajevo	+44 171 286 9720
Apr 5-13	International motor show	Stockholm	+46 8 749 41 00
Apr 6-9	International paper conservation conference	London	+44 1794 511331
Apr 7-10	International oil and gas exhibition	Moscow	+44 171 286 9720
Apr 7-11	Communications conference	Singapore	+44 171 237 9777
Apr 8-10	International vending exhibition	Birmingham	+44 1737 357211
Apr 8-10	Advertising and sales promotion fair	Hamburg	+49 40 35 69 21 50
Apr 8-12	International food and packaging exhibition	Russia	+44 171 286 9720
Apr 8-12	International security trade exhibition	Budapest	+36 1 263 6000
Apr 9-10	Electrical engineering exhibition	Gateshead	+44 17132 359990
Apr 9-11	International security fair	Wien	+43 1 216 65 260
Apr 10-11	East Meets West construction conference	Berlin	+44 171 237 9777
Apr 10-12	Pre-press service & equipment exhibition	Gothenburg	+31 346 573777
Apr 10-13	International franchise fair	Frankfurt	+49 69 75 750
Apr 11-20	International commercial vehicles motor show	Porto	+351 2 99 81 400
Apr 12-16	Hotel and catering exhibition	Nuremberg	+49 9 11 86 060
Apr 13-17	Intl engineering and food conference	Brighton	+44 171 222 7899
Apr 14-16	Telecomms and computer conference/exhib	Frankfurt	+49 911 981740
Apr 14-16	Pacific oil and gas conference	Malaysia	+44 171 237 9777
Apr 14-16	Newstec '97	Birmingham	+44 1203 644200
Apr 14-19	Industrial fair	Hanover	+44 181 688 9541
Apr 15-16	CEE pharmaceuticals conference	Budapest	+44 171 237 9777
Apr 15-16	Business connections exhibition	Dublin	+44 1846 603603
Apr 15-16	FT world water conference	London	+44 171 896 2626
Apr 15-16	Office management exhibition	London	+44 1992 788887
Apr 15-17	Pharmaceutical technology conference	Athens	+44 171 237 9777
Apr 15-17	Network data and telecomms conference	Copenhagen	+44 171 237 9777
Apr 15-18	Medical technology exhibition	St Petersburg	+44 171 286 9720
Apr 16-17	Business computing conference	Stockholm	+46 8 92 59 00
Apr 19-	Trade fair	Modena	+39 51 282 111
Apr 21-22	Euro-Cash 97 conference	Amsterdam	+44 171 237 9777
Apr 21-23	Cable and satellite exhibition	London	+44 181 910 7910
Apr 21-24	Intermedia/Internet Asia conference	Singapore	+44 171 237 9777
Apr 21-24	Environment biotechnology conference	Ostend	+44 171 237 9777
Apr 21-25	International water industry exhibition	Berlin	+49 30 38 30 66
Apr 21-25	International packaging exhibition	Utrecht	+31 30 29 55 911
Apr 21-	FT City course	London	+44 171 896 2626
Apr 22-24	IT expo	Malmo	+46 40 24 80 80
Apr 22-24	European telecomms law conference	Brussels	+44 171 237 9777
Apr 22-25	Automation and robotics trade fair	Salzburg	+43 662 44770
Apr 23-25	Fire safety conference	Johannesburg	+44 171 237 9777
Apr 24-25	FT European electricity conference	Vienna	+44 171 896 2626
Apr 24-26	Healthcare conference	Paris	+44 171 237 9777
Apr 25-28	Creative packaging exhibition	Bologna	+39 51 282 111
Apr 26-	Paris Fair	Paris	+33 1 4909 6000
Apr 27-30	SMMT automotive trade show	Birmingham	+44 171 235 7000
Apr 29-30	Chemical tankers transport conference	Athens	+44 171 237 9777
Apr 29-30	Sasmex marine conference	Baltimore	+44 171 237 9777
Apr 30-	Travel, languages and culture fair	Geneva	+41 22 761 11 11

■ MAY

Date	Event	Venue	Contact
May 4-6	Media and marketing conference	Herning	+45 97 12 60 00
May 5-7	SQE software quality conference	Udine	+44 171 237 9777
May 5-9	World investment markets conference	Miami	+44 171 237 9777
May 5-9	Metalworking trade fair	Nuremberg	+49 70 25 92 060
May 6-10	Entech Asean environment conference	Bangkok	+44 171 237 9777
May 8-9	Pensions funds annual conference/exhib	Harrogate	+44 171 730 0585
May 10-14	International food and drinks exhibition	Lisbon	+44 181 742 2828
May 12-13	Electronic comms & postal services forum	Frankfurt	+44 1494 678000
May 13-14	Accounting standards conference	Stockholm	+44 171 237 9777
May 13-15	Paper conference	Graz	+43 58886 256
May 13-15	Water pipeline systems conference	The Hague	+44 171 237 9777
May 13-15	Marine technology conference	Poland	+44 171 237 9777
May 14-15	FT Zambia investment opportunities conf	Lusaka	+44 171 896 2626
May 14-16	Medical congress	Berlin	+49 30 38 30 66
May 19-22	World tin conference	Belgium	+44 1895 272406
May 19-23	Woodwork machinery fair	Poznan	+44 1223 233952
May 20-21	FT electronic publishing conference	London	+44 171 896 2626
May 20-22	Internet World International	London	+44 1865 388000
May 20-22	Wine trade fair	London	+44 171 973 6401
May 21-22	TransEurasia transport conference	Kazakstan	+44 171 237 9777
May 21-22	FT healthcare conference	London	+44 171 896 2626
May 21-23	Oil and gas conference	Tashkent	+44 171 237 9777
May 21-25	Scandinavian furniture fair	Copenhagen	+45 32 52 88 11
May 22-	Intl. consumer & industrial products fair	Nicosia	+357 2 313444
May 22-25	Cyberworld '97	Bern	+41 31 332 19 88
May 24-	International trade fair	Luxembourg	+352 4399 1
May 25-29	Mediforum healthcare conference	Barcelona	+44 171 237 9777
May 27-30	Data and telecommunications show	Zurich	+4118 25 63 63
May 27-31	International investment goods trade fair	Budapest	+36 1 263 6000
May 27-31	International investment goods trade fair	Budapest	+36 1 263 6000
May 28	Business technology expo	London	+44 1732 359990
May 29-31	Austrian surgeons' conference	Innsbruck	+43 512 50360

The above data has been supplied by: Conferences and Exhibitions Diary, 2 Prebendal Court, Oxford Road, Aylesbury HP19 3 EY, UK (Tel: +44 1296 28585); Conference Calender, 123 Adams Gardens, Brunel Road, London SE16 4JH (Tel: +44 237 9777); and FT Conferences, 149 Tottenham Court Road, London W1P 9LL, UK (Tel: +44 171 896 2626)

Hoteliers vie to be hosts

Events can account for a quarter of an hotel's annual turnover. Kate Bevan discovers how organisers can be wooed for their lucrative business

Do you dread the annual corporate jamboree? The long flight – or long drive if it is held in your home country? The agonising experience of having to be seen to be having fun?

If it is any consolation, it may be even worse for the person who has organised the conference. The planning will have been a long drawn-out, detailed and exhausting experience.

However, for the hotels that host them, they are a very serious business, generating a large chunk of revenue. Simon Hirst, general manager of the Regent resort at Chiang Mai in northern Thailand, reckons conferences and meetings generate 25 per cent of his turnover.

So how can hotels woo the organisers of this lucrative business? In some cases, it is location that wins the day. The Beverly Hills Peninsula hotel in California was a prime spot for Walt Disney to hold its recent press conferences to launch *101 Dalmatians*. Situated discreetly in the middle of the stars' favourite district, and boasting the only five-star rating in the city, the quiet but convenient location was probably more of a factor than the hotel's technical facilities.

The challenge for conference venues is to be different. In Hong Kong, for example, there is no hotel that cannot offer variations on a Chinese theme, complete with dragons. But the organiser who is up to his or her eyes in dragons might want to hold at least one meeting somewhere different. One innovative space is at the Peninsula, sister to the Beverly Hills hotel. It has recreated a feel for the golden age of air travel with its China Clipper lounge, complete with photographs and artefacts, which it uses mainly for guests arriving or departing by helicopter, but can also be hired out for small meetings and conferences – and not a dragon in sight.

It is a combination of things that leads an organiser to the final choice, says Richard Pavitt, a meetings and incentive travel consultant. "It's not necessarily the cheapest place that wins the business. After all, if you pay peanuts, you get monkeys." Rather, he says, it is the venue that offers the best package.

"It's in the detail. What I want is the best possible handling of the event together with the best value for the event. For example, I want the smoothest possible arrival and faultless reception of conference delegates."

Tough conference or a jamboree? Pleasant surroundings and good organisation make work more pleasant

But in many cases the final choice of venue may not be particularly scientific. A survey of 840 meetings planners carried out by American Express, the business travel agent, in conjunction with Meetings and Incentive Travel magazine, found that most organisers – 93 per cent – rely on their own knowledge and experience when choosing a venue. Some 78 per cent said they relied on recommendations, and 61 per cent never use a conference placement agency.

Mr Pavitt arrives at his final choice by a process of whittling down and tough negotiating. "You talk to the leading hotels, get their rates, and sort out what else they might be able to offer." The "something else" is the added value – such as room upgrades at the conference hotel.

"Then it's a case of going and inspecting the best two or three and negotiating nose-to-nose," says Mr Pavitt. Other organisers agree. "Familiarisation trips are by far the best way of evaluating a hotel and new venue," said one interviewed for the American Express survey.

Organisers also agree that the attitude of staff at the venue – from the manager down – can make or break a conference. Said one organiser quoted in the American Express survey: "For large events a dedicated [hotel] manager is always appreciated." Mr Pavitt echoes this sentiment: "You've got to keep all the staff properly briefed. There is layer upon layer of people who are involved, and you have to work with them, not mop up after them."

Ultimately, the most successful conference will be the one that has been planned minutely by both the organiser and the venue, and costed down to the last item. "You've got to have a minute-by-minute checklist," says Mr Pavitt. Others agree, according to the American Express survey. Said one: "Venues need to pay more attention to detail, and remember the customer is always right." Another said: "Check, check and check again." And that means everything, including the invoice: organisers have found themselves charged for all sorts of bizarre extras – including elephants, fire extinguishers and a plastic duck. Must have been some conference!

Business Travel 97

London hosts show

More than 30 new products and services are due to be launched at Business Travel 97, the UK exhibition dedicated to the corporate travel market which opens in London next week.

The unveilings will be made by top names in the airline, hotel, car rental and business travel management consultancy sectors.

A key feature of the exhibition will be a series of seminars concentrating on communicating advanced business solutions and core travel management skills. The programme of morning and afternoon seminars will be supported by practical workshop sessions.

The programme includes:

- How to get the best out of your travel agent
- How to get the best tax deals as a business traveller.
- A beginner's guide to planning and arranging business travel.
- How to exploit frequent flyer programmes.
- How to get the hotels you want at the prices you want.

Those scheduled to take part in these seminars include Roeland Moens (managing director of Europcar), Gavin Halliday (British Airways), Derek Jewson (Unilever), Mike Smith (American Airlines), and Paul Wait (American Express).

A new feature of the exhibition this year is a series of lunchtime panel sessions. These will include a head-to-head between Peter White, director of sales at British Airways, and Paul Griffiths, commercial director of Virgin Atlantic. The exhibition, which is being arranged by Centaur Exhibitions, in association with Travel Trade Gazette, Business Traveller, and the Financial Times, is being held at the Business Design Centre, Islington Green, London between February 11 and 13. Further details: Tel: +44 171 287 5678; fax: +44 171 287 0710. Ticket hotline: +44 181 710 2185.

Air & rail travel

Airports have to find the right balance

Roger Bray explains why offshore runways are likely to become more common

The Dutch parliament is about to open a national debate which will be echoed across the world and whose outcome, whichever way it goes, will affect the price of flying.

At issue will be the balance between commercial expediency and the environment – a term which in this case embraces not just nature but quality of life for people living under noisy flight paths.

The Netherlands' main airport, Amsterdam Schiphol, is likely to reach its capacity some time in the next decade, but the problem is not one of space. It already has four runways and a fifth has been approved. Creating extra terminal capacity would not be difficult. For environmental reasons, however, the government has set a limit of 44m passengers a year.

The options for growth after that are offshore – in the North Sea, the Ijsselmeer (Zuider See), or in the port of Rotterdam. But first parliament must decide the issue of philosophy. Does the Netherlands want to continue competing for international air traffic?

About 40 per cent of Schiphol's passengers are in transit. How much benefit do they bring to the national exchequer?

That is a question which has dogged airport developers increasingly in recent years. It has featured prominently, for example, in arguments at the marathon public inquiry into plans to build a fifth passenger terminal at London Heathrow.

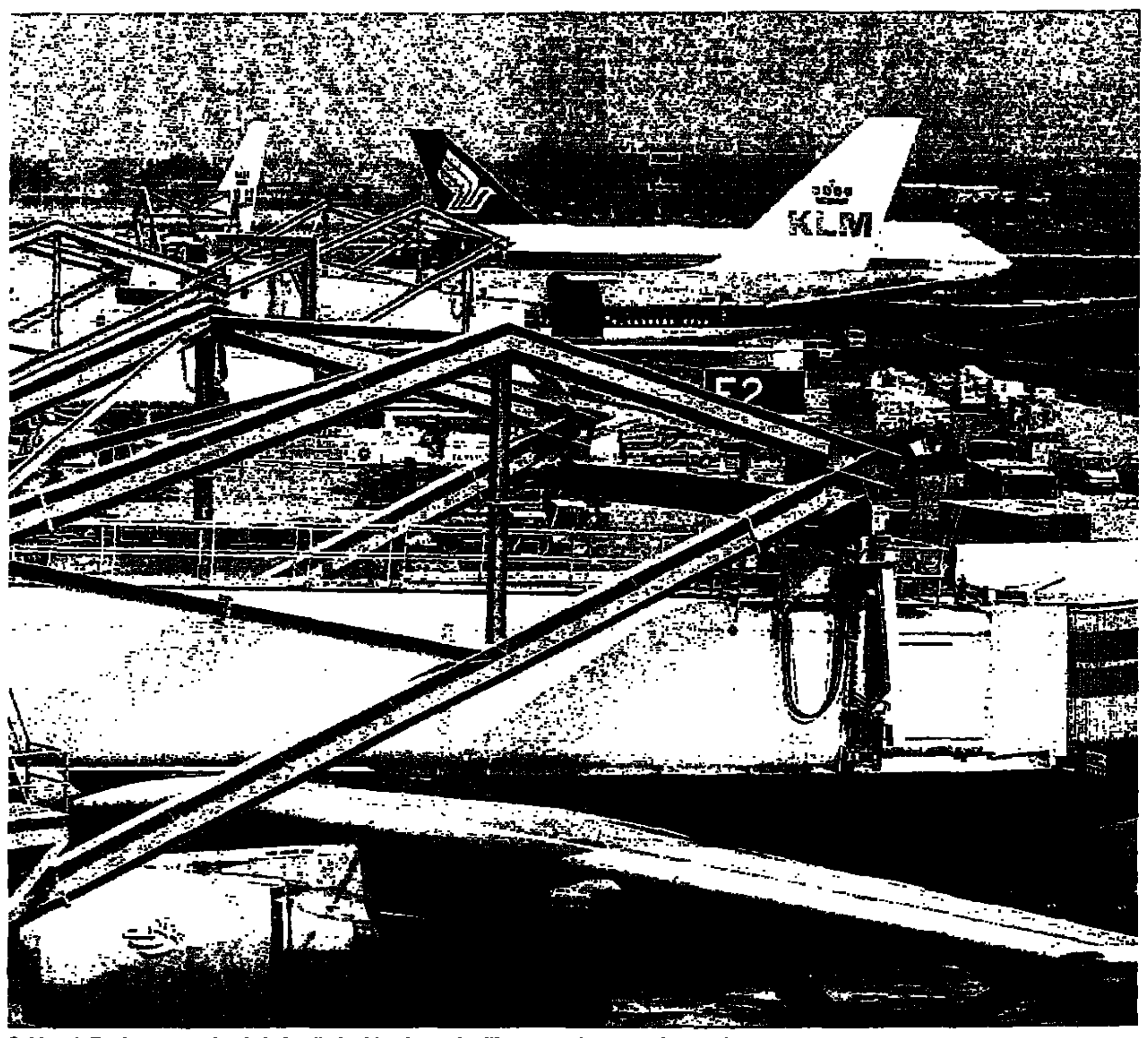
Those developers know that many routes would not be viable without transfer traffic. Cramp its growth, and passengers seeking quick and convenient connections will change aircraft elsewhere, services will die, the airport will drop out of the major league.

Inevitably, the argument has reached different stages around the world, but it seems likely that more and more hub airports will have to be built in the sea to appease local protest groups.

In Asia, where at least £42bn of airport development is under way or planned, Japan's recently-constructed Kansai and Hong Kong's forthcoming Chep Lap Kok both incorporate large amounts of land reclaimed from the sea. There is talk of a third airport for Tokyo – also on an offshore site.

Environmental demands are intensifying at a time when international travel and tourism is predicted to grow at an average rate of almost 6 per cent a year over the next 10 years.

For every plus there seems to be a minus. Leading airports will be able to make greater use of runways and simultaneously combat the noise lobby through the operation of larger jets, but the need to fill those aircraft – if they are built – is likely to encourage more feeder services from smaller, provincial airports.



Schiphol: Further expansion is being limited by the authorities on environmental grounds

Electronic ticket machines are easing pressure on terminals by cutting check-in queues. But the impending abolition of duty-free purchases for passengers flying between EU countries is forcing airport operators to compensate for the loss of revenue by creating more retail space.

The opening of existing and former communist regimes to greater competition promises to cut flight delays by freeing more airspace. But the new business this generates will add to overall congestion. At one end of the scale, Albania's out-dated Tirana airport is undergoing a £22m renovation; at the other, China, where traffic growth is dramatic enough to prompt a forecast that eventually it will be second in volume only to that in the US, is pumping £3bn into the modernisation of some 100 airports.

While it wrestles with such conundrums, the industry is facing continuing demands for smoother service, easier access and less all-round hassle.

Despite the argument over transit passengers, Heathrow recently acknowledged their importance by providing them with a new centre in which to work and relax between flights. Before long baggage, delivery is likely to be improved by the incorporation of microchips in suitcases, allowing them to be tracked at all times. Limousine check-in for high fare customers, which can happen en route to the terminal entrance, has been introduced by at least two airlines – Emirates and the UK's Virgin Atlantic – and looks like a sign of things to come.

Provided security demands can be met, ticketless travel will also ease pressure at airport check-ins, allowing passengers without bags to pick up boarding passes from car park machines, for example.

There are some areas in which congestion will pay short-term dividends. The busier the airport, the more it generates road traffic, for example. The more cars, the greater stimulus for airports to develop new public transport links.

It is happening in the UK, where the much-delayed Heathrow Express rail link with Paddington in central London will provide a welcome alternative from an underground train service shared with commuters. And it is happening at New York's Kennedy, hardly the world's most user-friendly airport, where "people mover" trains will soon replace the bus services between terminals.

The picture is still fuzzy

Technical problems plague efforts to keep passengers entertained above the clouds, says **Roger Bray**

Few revolutions have begun so unconvincingly. The prospect of interactive in-flight entertainment systems has been dangled for so long that it no longer seems such a radical advance. But because of persistent technical problems, hardly any airlines have installed them.

The real benefit of such systems is video on demand, which allows passengers to select a movie or TV programme at any time, simply by selecting it on a control panel. They may then watch it on an individual screen and start or stop it at will.

Some airlines already offer it to first or business class passengers – after a fashion. They carry a stock of cassettes which passengers slide into armrest slots. The disadvantage is that a fellow traveller may have grabbed the film you want.

Others provide hand-held viewers. This has provided a stop-gap solution for United Airlines, which has run into serious difficulties trying to fit the latest entertainment technology.

Though it already has built-in, individual screens on Boeing 777s flying to London, United is introducing portable monitors to passenger flying on other international routes.

Air France is testing video on demand by remote control on one aircraft but is not yet happy with its reliability, and is likely to wait for the delivery of new aircraft fitted with high-capacity fibre optic cables before offering it more widely.

The UK's Virgin Atlantic will have the necessary hardware as part of a new entertainment system on five aircraft due to be delivered by June and hopes to have the software soon afterwards. It says the new jets will not have fibre optics, which it doubts are a practical solution.

It's neck and neck between Swissair and the small UK carrier Debonair to lead the way with in-flight gambling. Singapore Airlines is likely to join them by the end of the year.

"On demand" is the current buzz phrase. Interactive technology promises other benefits besides catching up with the latest cinema releases and playing a hand or two at blackjack. When the bugs have been removed, passengers will be able to shop from their seats, hire cars, and book hotel rooms.

One reason those bugs proliferated is that airlines, finding it ever harder to outdo rivals with significant service improvements, were over-eager in their rush to install these new systems.

There are other, less costly ways of wooing the premium fare payer. British Airways, for example, is offering first class customers meals "on demand", instead of serving them when the cabin staff are ready. Long-haul club class passengers can graze at any time on snacks such as sandwiches.

Though it has been possible to make telephone calls from most modern long-haul jets for some time, airlines have been loath to allow incoming connections because of the threat of bomb hoaxes. In the US, however, you may now subscribe to a pager system.

The problem may be overcome soon in another way. Skyphone, an international consortium including BT, plans to offer passengers links with the Internet, allowing them to send and receive messages by e-mail.

Air & rail travel

Eurostar seeks clear run of track

Some passengers wonder if prices are outstripping service. **Charles Batchelor** reports

Eurostar high-speed trains between England, France and Belgium have attracted back many of the passengers lost when services were suspended in the wake of last November's Channel tunnel fire. But capacity will remain restricted at least until June.

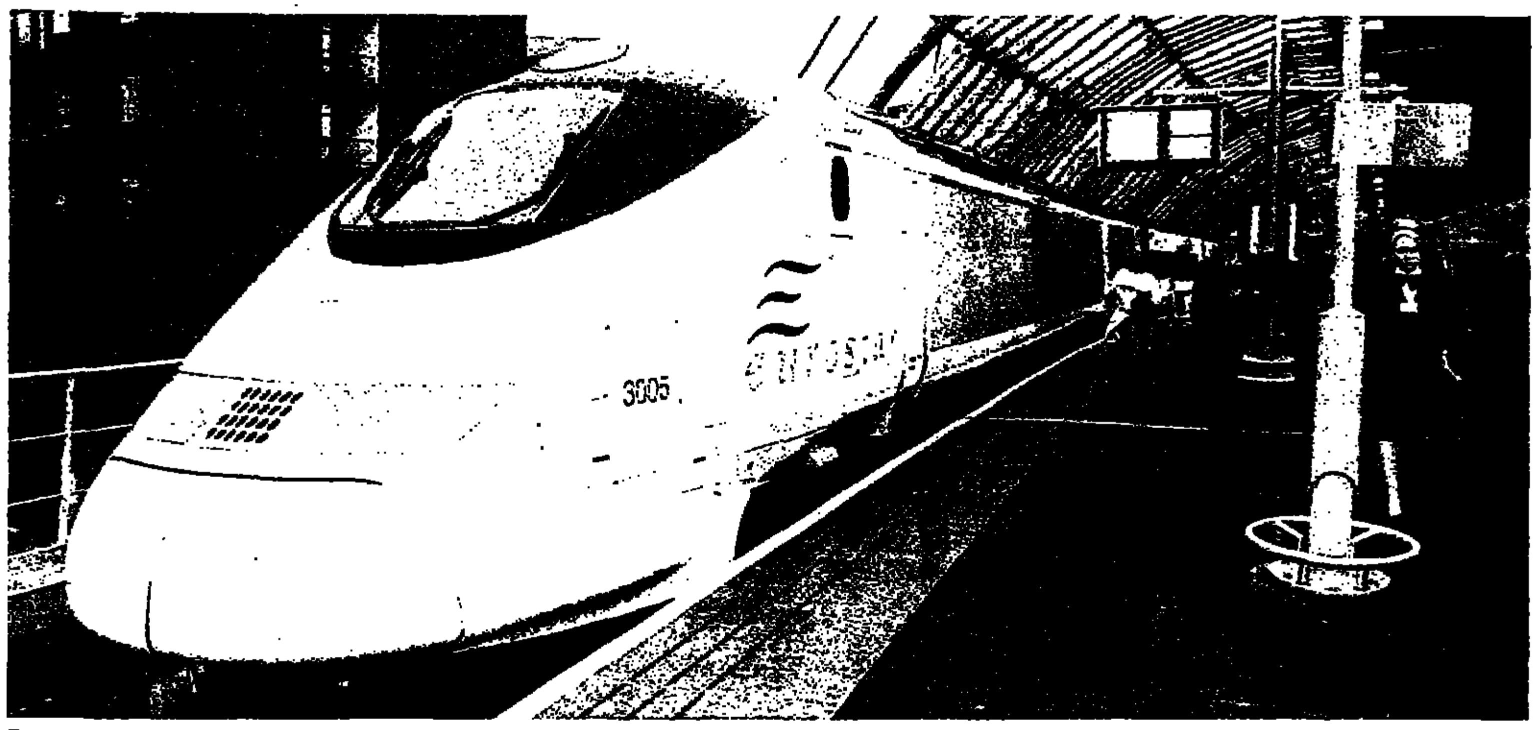
A total of 70,000 people were carried in the second week of January compared with the 100,000 who were travelling each week before the fire, though early January is traditionally a quiet time. Over the three weeks of the Christmas-New Year period, a respectable 220,000 people were carried.

Repair work on the section of tunnel damaged by a burning freight shuttle is expected to take until May, but Eurostar says it will take a week or so to reload its computers with timetable information and advertise its services to its customers.

Despite the loss of 10 trains a week in each direction from the timetable, Adam Mills, chief executive of London & Continental Railways (LCR), Eurostar's parent company, is confident passenger numbers will soon be back to pre-fire levels.

The marketing campaign launched by the new marketing team which arrived from Richard Branson's Virgin group in early 1996 has begun to achieve results. A range of new fares catering for a much more highly segmented market has been launched and passenger numbers have begun to climb.

Nearly 5m passengers were carried in 1996 compared with 3m the year before. The fire will have set back its targets slightly, but Eurostar was previously forecasting it would reach an annual rate of 10m passengers – and financial break-even – within the next 18 months.



Eurostar has had many setbacks. But figures suggest passengers are returning after the tunnel fire

Some people in the travel industry question, however, whether price is starting to become a barrier to further growth. In the early days, Eurostar offered relatively cheap fares and also benefited from the travel policies which required employees to fly economy class but allowed them first class train fares.

Many business travellers across the Channel not surprisingly opted for first class train travel, although Eurostar's top-of-the-range Premium First Class tickets are now more expensive than airline club class tickets. "Some companies are getting smart to this," says Mike Platt, director of commercial affairs at Hogg Robinson Travel.

The travel industry has welcomed the changes wrought by LCR since it took over Eurostar. It has developed a much more customer-oriented approach and introduced airline-style levels of service. Tickets are interchangeable and can be booked on departure. A frequent traveller programme has been introduced, and an executive lounge has been opened at Waterloo International in London.

"But some people would say they have pushed up prices faster than service," comments Mr Platt. "They have taken it to its furthest point. Only time will tell whether they have crossed the line."

Travellers may also be deterred by the addition of between 20 and 30 minutes to journey times at the moment to take account of the restricted capacity of the tunnel. Timetables have had to be juggled to allow "flights" of six trains – including Eurostars, passenger shuttles and freight trains – an hour through the tunnel in each direction.

These delays have emphasised the importance to the long-term success of Channel tunnel services of completing high-speed lines in Belgium and the UK. This will allow journey times to be reduced, putting greater pressure on the airlines.

At present, the London-Paris journey time is three hours but will come down to 2¼ hours when the British high-speed line is completed in 2003. The London-Brussels time is 3¼ hours, reducing to 2¾ hours when the Belgian high-speed link is opened in mid-1998 and 2¼ hours when the UK line is finished.

In the UK, plans to extend Eurostar services beyond London have suffered considerable delays, and Eurostar is now talking of a June start to services up the main west coast line and "late summer" for the east coast services to the north of England and Scotland.

Eurostar has had difficulty in obtaining approval from Railtrack to run its trains north of London. Their powerful electronic systems pose a potential threat to signalling and control systems on the existing railway.

The temporary service of two link trains a day from the north of England direct to Waterloo has been stopped, and Eurostar passengers will now be able book through-tickets on the regular mainline services. This will increase the choice of trains but means travellers will arrive at either Kings Cross or Euston in north London and must then cross the capital by Underground or taxi.

This does, however, end the absurdity of dedicated Eurostar link trains carrying just a handful of passengers because the Channel tunnel security regime dictated they could not carry domestic passengers as well.

The prospects for the launch of sleeper services through the tunnel looks increasingly uncertain, however, and the project is under review by Eurostar. The problems it faces are the technical complexity of the trains and the uncertainty of the market place. Will business travellers from Cardiff or Glasgow want to travel overnight to continental European destinations, even if they can be guaranteed breakfast-time arrival?

Making a success of Eurostar is proving harder than first envisaged. The initial forecast was that 13½m passengers would be carried in the first year, but in practice attracting business has involved getting a mass of detail right. Managers are making good progress, but there is still a long way to go.

NEWS IN BRIEF By Roger Bray

Changi voted 'best' again

Singapore's opulent Changi Airport continues to set standards for the rest. Latest plaudit came from readers of Executive Travel magazine, who again voted it best in the world. They are not alone.

Another poll, published last year, showed that business travellers flying with carriers belonging to the International Air Transport Association also rated it number one – ahead of the UK's Manchester and Amsterdam's Schiphol.

Crisp landing

Briefcase space is limited. Is there one thing, above all others, that you always carry aboard an aircraft on a long flight? For Sir Colin Marshall, president of the Confederation of British Industry and chairman of British Airways and Inchcape, it's a fresh, white shirt.

Sir Colin, who travels at least once a week, says: "I always change shirts before we land. It makes you feel like a new man."

Bangkok bouquet

Soon you will be able to order flowers from your airline seat – by tapping in a request on your individual computer screen. Until then, orchids are the best bet. Get a large box at Bangkok airport, for example, from around £10 But can you bring them through customs? Yes, says the ministry of agriculture, fisheries and food. The only cut flowers from non-EU countries which need special clearance are chrysanthemums, geraniums and pelargoniums.

Ringing up big bills

Where in Europe will you pay the highest hotel telephone charges? Latest comprehensive data suggests it is still the Russian Federation. A report by consultants Pannell Kerr Forster Associates covering 1995 showed that, on average, guests there not only paid the highest room rates, but that payments for calls represented 6 per cent of hoteliers' revenues – the highest proportion in Europe and nearly three times Italy's 2.1 per cent.

Bird's eye view

The idea of fitting external, closed circuit television cameras to airliners was hatched for safety reasons. It was suggested they might enable pilots to spot an engine fire, for example. But after conducting tests, the UK Civil Aviation Authority decided they posed too many unresolved questions to justify making them compulsory. Flight deck pictures might distract the crew during the critical moments of take-off, for example.

Dubai-based airline Emirates has found another use for them. *Its Boeing 777s have two, which allow passengers* a "pilot's eye view" of take-offs, landings and the en-route scenery over which they fly".

Hotels & restaurants

Room rates remain firm in spite of tough competition

Business travellers are beginning to show resistance to paying higher prices for accommodation, particularly in London. Scheherazade Daneshkhu reports

Business travellers are facing increasingly expensive hotel bills in many parts of the world. Strong growth in demand for hotel accommodation by both business and leisure travellers is sustaining already high hotel rates in the main commercial cities, according to American Express.

Hotel rates worldwide rose last year by between 15 and 20 per cent, following a similar rise the previous year, according to the company.

"Demand for hotel rooms continues to be very strong, particularly in the four and five-star sector," says Borge Ellgaard, vice-president of the hotel relations division. "Cities which double as both business and leisure destinations – such as London, New York and Rome – have seen significant rises for the second year running."

London hotels, particularly at the top end of the market, have pushed through some of the highest rises. Business travellers are the largest source of business for London's five-star hotels, accounting for 72 per cent of guests, according to Arthur Andersen, the accountancy firm.

It found that average room rates at five-star London hotels rose steadily over the year from £152 per night, excluding tax, in the first quarter of last year to £175 in the third quarter.

Occupancy rates rose to more than 80 per cent in the third quarter. "This strong demand has allowed luxury hotels to increase published rates and reduce the volume of special rates on offer," said Arthur Andersen.

Although the rise in UK room rates is high, the picture across Europe is patchy. Room prices in Paris have increased by between 5 and 10 per cent but in Rome, hotel prices have been rising as strongly as in the UK. Strong demand in New York has also led to significant rises.

Mr Ellgaard said that further increases, particularly in London, could jeopardise the rate of growth of the travel market. Business travellers are already beginning to show resistance to paying higher prices, particularly at the upper end of the market.

However, competition to attract business travellers remains intense as international chains set ambitious targets to cover as many areas of the globe as possible. The drive for global expansion was the spur to the agreement signed last month between Beverly Hills-based Hilton Hotels and Ladbroke – the UK group that owns the Hilton name outside the US, through its Hilton International subsidiary – to reunite the Hilton hotel brand worldwide.

Both companies are now making reservations for each other's hotels through their jointly-owned reservations system. Another benefit for customers is that HHC's Hilton HHonors Worldwide loyalty scheme has been expanded from applying solely to Hilton hotels in the US to include Hilton International hotels.

The HHonors scheme is the only hotel loyalty programme to allow travellers to exchange points for airline miles and exchange airline miles for points, according to Hilton. The scheme also covers Conrad International and Vista hotel brands.

Give diners the fax...

Nicholas Lander brings himself up to date with the best eating spots around the world with the help of some restaurant guides

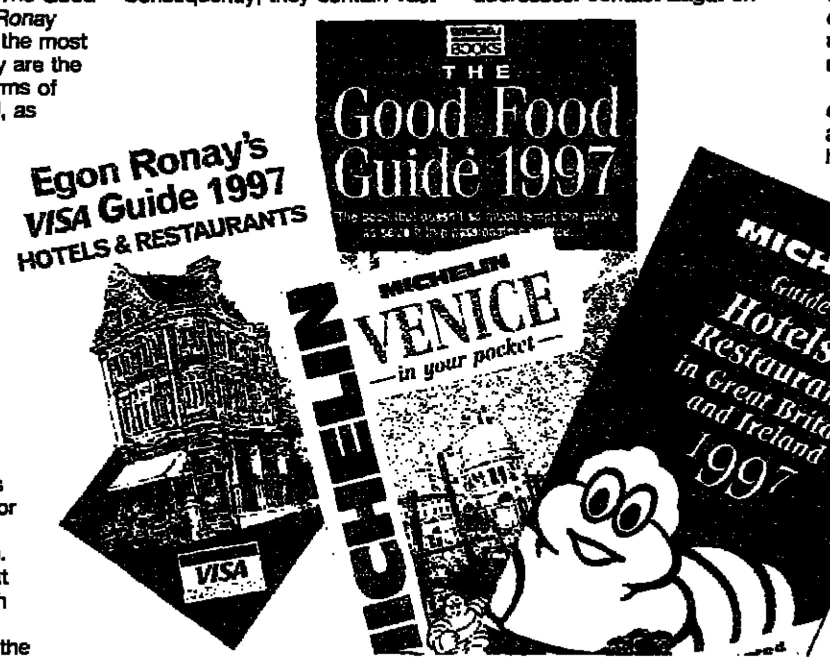
Keeping abreast of the restaurant scene in London, New York, San Francisco or Paris in its current expansionist phase is not easy as all sources of information have specific weaknesses.

The British Michelin, The Good *Food Guide, the Egon Ronay* and the AA Guides are the most comprehensive but they are the least user-friendly in terms of *format and weight*. And, as annuals, they do not include the most recent openings.

However, their greatest practical advantage is that they invariably give a restaurant's fax number (and few these days do not have faxes). It is always advisable to confirm your booking by fax, particularly if you want to eat at one of the larger restaurants where the opportunity for human error over a booking is considerable.

By contrast, the Zagat restaurant guides, which now cover 40 American cities and London, and the Harden brothers' guides to London slip easily into any briefcase or jacket pocket.

These guides are based on diners' experiences and verdicts, and rate restaurants numerically on food, service and ambience. Consequently, they contain vast amounts of number-crunched data and lists - by area, cuisine and price - but sadly not the restaurants' fax numbers. Both guides regularly publish newsletters to cover the most recent openings and have e-mail addresses: contact Zagat on *zagat@zagatsurvey.com* and the Hardens via *mail@hardens.com.*



Newspapers are the most immediate source of up-to-the-minute restaurant reports. But as restaurant openings increasingly become media events, a favourable review invariably means immediate full houses.

Should you have a favourite restaurant, where you like the food and service and you are able to dine at a quiet corner table when you need one, frequent it; in today's *competitive market*, restaurateurs do appreciate regular customers.

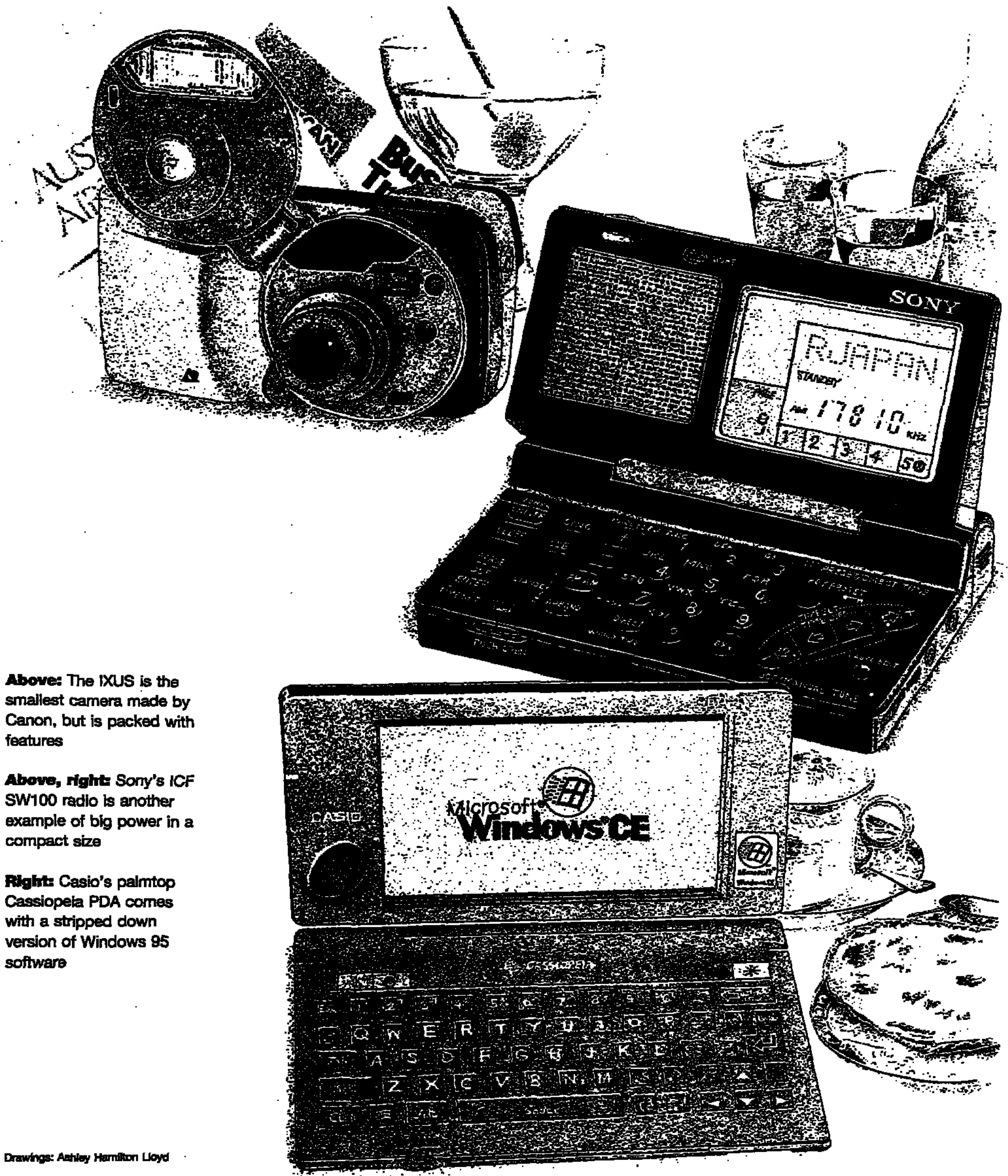
Set-price lunch menus *continue to offer excellent value*, as do the albeit more expensive hotel dining rooms which, by contrast, offer space, a higher staff/guest ratio, and a sense of calm.

Finally, cosmopolitan business travellers to Japan might like to consider packing a paperback copy of Richard Hosking's recently-published Dictionary of Japanese Food ($20; £12.99). The first book of its kind to appear in English, it will make travel in Japan or even a visit to a Japanese restaurant much more enjoyable.

Travellers' technology

A pocketful of little gizmos

Computers, cameras and radios are coming down in size. **Roger Bray** casts a lightweight traveller's eye over some of them



Above: The IXUS is the smallest camera made by Canon, but is packed with features

Above, right: Sony's ICF SW100 radio is another example of big power in a compact size

Right: Casio's palmtop Cassiopeia PDA comes with a stripped down version of Windows 95 software

Drawings: Ashley Hamilton Lloyd

Travelling light is becoming easier, but temptation to stuff your cabin baggage with gadgets grows ever stronger. Reaping the benefits of miniaturisation requires increasingly thoughtful planning.

Tape recorders, short-wave radios and coffee makers have been made enticingly small – but will you really need them? Computer manufacturers are reducing the weight of some laptops by allowing you a choice of components instead of trying to cram everything into the same box – but which to take and which to leave?

Do you need to take the laptop at all? The new Psion 3C palmtop, available in the two megabyte version for around £400 (£340 tax-free), comes with an infra-red device which enables you to point it at a printer and obtain a hard copy without having to carry a cable and jack. Later this year software should be available which will allow the transfer of information to a PC in the same fashion.

Other manufacturers are making palm tops, known as "personal digital assistants", with a stripped down version of Windows 95 software – Windows CE – which will perform in much the same way as it does on a desktop computer. Casio's Cassiopeia PDA, which is on sale in the US and should be in UK shops within a few months, already makes use of this.

Also coming soon is the digital video disc, a double-sided and layered CD-Rom or entertainment provider carrying up to 14 times as much information as those now available.

Forget work for a moment. Suppose somebody puts the *Marriage of Figaro* on one of these discs. With the right equipment you could kill those long hours in flight watching it on your laptop screen, plugging in headphones and hearing it in stereo.

Certainly such screens have been getting bigger and clearer. Last year, Toshiba broke new ground with a screen 12.1 inches across. Now it has stretched that to 13.3 inches with the launch of its new Tetra 740CDT.

Already, navigating CD-Roms on laptops is taking less time; they now run at up to 10 times the speed of an audio disc. Sadly, lithium-ion batteries, which offer the longest life, do not seem to be getting much cheaper. At the top end you could pay more than £200, which makes it all the more welcome that airlines such as American, United and the UK's Virgin Atlantic are either installing cabin power points or are about to.

Laptops have become more flexible. No longer do you have to carry the technology you do not need. Fujitsu's new 500 series Lifebook, for example, has a base which can house separate drives for CD-Roms, floppy discs, a second hard drive or an extra battery. It has also just unveiled the 600 series of "ultra-slim" notebooks with external floppy disc attachments. They clip on to "expansion bases", which include floppy and CD-Rom drives.

The advent of satellite television has reduced the importance of short-wave radios, but for those desperate to follow international cricket matches, catch the UK football results, or simply listen to BBC World Service news analysis, they, too, have become even tinier. The Sony ICF SW100, which retails tax-free at London's Heathrow airport for £175, is about the size of a pack of cigarettes (110mm x 24mm x 73mm) and weighs only 220 grammes.

Cameras are losing weight and doing more. APS (advanced photo system) allows three settings – normal, close-up and wide angle – in a shell measuring only about 1¼in in x 2in x 4in. Canon's IXUS, for example, is the smallest camera the company has produced, yet it includes autofocus and a zoom. Film comes in a cartridge, and there are no negatives – you get a strip of contacts. Recommended retail price is £259, although if you shop around you may find it for a little over £200.

As the anopheles mosquito becomes ever more resistant to prophylactics, measures to avoid being bitten in the first place become increasingly important. An impregnated net will fold into a pack no bigger than an paperback book.

For those in too much of a rush to seek dental treatment, London-based Trailfinders now stocks an emergency tooth care pack (£3.25).

Getting around: South-east Asia

Financial Times correspondents based in the region guide the business traveller round the main business districts, offering the first-time visitor and weary globetrotter alike tips to make their journey a little smoother

HONG KONG

By Louise Lucas

There is little hassle in the prime business district of Central, and taxi drivers usually speak enough English to reach the right destination. But wander beyond the confines of Central and you can come all too quickly face-to-face with the screeching, reeking, teeming street scenes of Asia proper.

Visas

Nationals of most countries do not require visas, providing they hold onward travel tickets. Most visitors can stay for one to three months, depending upon nationality. British citizens, who are now able to stay for one year and do not require employment visas, will see changes after China resumes sovereignty over Hong Kong in July, although no final decision has yet been taken on the new regime.

Airlines

Some 60 international airlines service Hong Kong, linking it to the west as well as holiday and business destinations within Asia. The international Kai Tak airport, one of the world's busiest, is small and just 20 minutes drive from town. But it is frequently packed to the seams, which makes delays a hallmark of many trips.

Local transport

Transport is plentiful and cheap. Airport buses, stopping at the main hotels, run every 15 to 20 minutes and cost HK$19 for the trip into town. Taxis, for the same distance, cost around HK$100 – more if you fail to stipulate "old tunnel".

Hotels

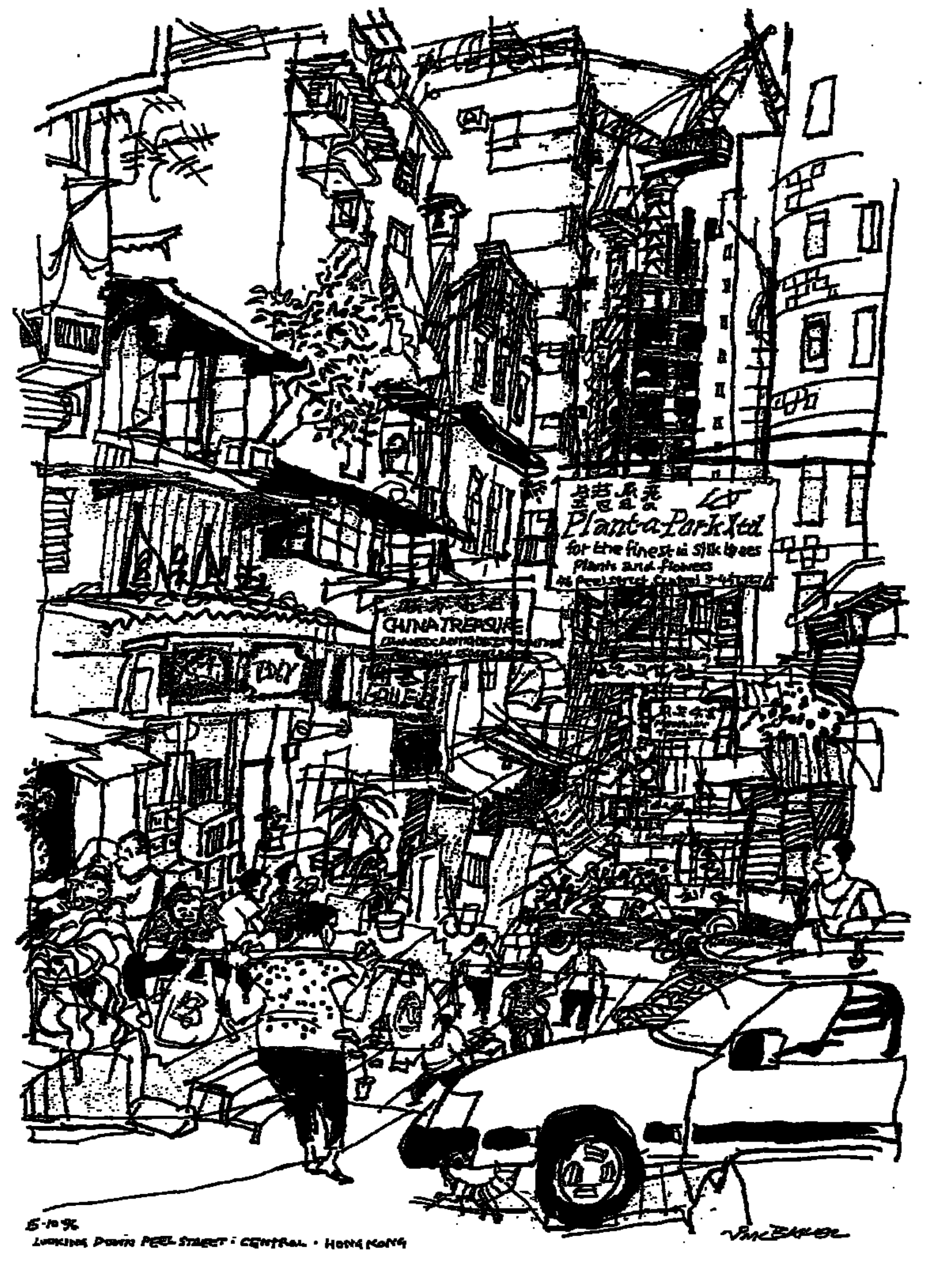
HK is sufficiently small and well-served by transport to allow visitors to stay in a variety of places, but most business travellers settle for hotels in Central or in Tsim Sha Tsui, on the southern tip of the Kowloon peninsula. The two districts are linked by underground train and, more pleasantly, by a regular ferry service which takes around 10 minutes and costs just HK$2.

Top Central hotels include The Mandarin, The Conrad and the Shangri-La (HK$2,500 - HK$4,800) or, five minutes drive away, the Grand Hyatt (HK$3,150 - HK$3,950). The grande dame of hotels, The Peninsula, (HK$3,100 to HK$38,000 for the Penthouse suite) is in Tsim Sha Tsui, as are a number of slightly cheaper options including the Holiday Inn Golden Mile (HK$2,300 - HK$2,800).

Many hotels are heavily booked this year, especially around June/July.

Eating out

Much eating out is done in hotels, which are expensive and often lack charm, and in dai pai dongs – noodle stalls which are best avoided by the uninitiated. Two restaurants stand out – M at the Fringe, in Central (allow HK$1,200 for two) and The Verandah Restaurant at Repulse Bay (similarly priced).



MALAYSIA

By James Kynge

Once-modest Kuala Lumpur (known universally as KL) is changing its stripes. It now has the tallest building in the world, the Petronas Towers. Officials claim that the city's telecoms tower is the tallest in Asia, and there are plans to build the longest building in the world, a 2-km structure which will snake on stilts above a muddy, polluted river.

Visas

Requirements vary, so check before you travel. Many nationals are granted visas on arrival at KL airport.

Airlines

Malaysian Airlines (MAS), which has a code-sharing agreement with Virgin, flies several times a day to KL from Europe, North America and Asian capitals. Its prices are generally competitive with those of Singapore Airlines, which also has many flights. Cheaper alternatives include Royal Brunei Airlines. Many people arrive in KL via Singapore, and there is a regular shuttle service between the two. Within Malaysia there are smaller airlines such as Saeaga but most businessmen are unlikely to encounter them. Trains are glacially slow and buses not much quicker.

Local transport

Taxis within Kuala Lumpur are infamous. Many empty cabs decline to stop. Those that do stop, often decline to take passengers. Those rare cabs that both stop and agree on a destination often do not use their meters and ask for vastly inflated fares. When it is raining, the sight of a forlorn foreigner who has forgotten his umbrella is liable to turn cabbies even more voracious. Solutions: ask your hotel to order a taxi well in advance; or hire a taxi by the hour (M$25); or hire the hotel limousine (from M$40 per hour).

Hotels

Most business travellers stay in the Golden Triangle, the crowded business district where nearly all leading companies keep an office. The main hotels in this area are the Hilton, Shangri-La, Equatorial, Istana, and the Renaissance. Rates vary, but most charge more than M$330 per double room per night. Malaysia's chronic labour shortage has taken its toll on some top hotels where shoddy service is not unusual. If your business is in the satellite towns of Shah Alam or Petaling Jaya, it is best to book a hotel in these areas.

Eating out

There are many good restaurants in the Golden Triangle, with much variety to choose from. For Malay cuisine try either Sri Melayu or Yazmin, near the Golden Triangle. Appetising Indian vegetarian food can be found at Ana Lakshmi, in the suburb of Bangsar. Carcosa, the former residence of the British High Commissioner, serves European food and has a jazz trio.

INDONESIA

By Manuela Saragosa

Jakarta, with its panorama of frenzied construction, shanty towns and rotting canals and worsening traffic jams, is a pedestrian's nightmare. For those who dare to brave the heat and pollution, the 500-year-old Sundakelapa harbour and northern parts of the city with its remnants of dilapidated Dutch colonial architecture can offer some interesting surprises.

Visas

Visas are required for all except EU countries, US, Canada, Argentina, Australia, Brazil, Chile, Morocco, New Zealand, Scandinavia, Venezuela and Asean passport holders. Citizens from Portugal may face difficulties because of the ongoing dispute over East Timor. Anyone planning to stay for more than two months will need a permit, and a business visa may also be required in some cases.

Airlines

Jakarta, Surabaya, and Bali are served by many international airlines. The national carrier, Garuda, serves the main commercial and cultural centres in the country, but there are more than 40 private and semi-private airlines. Sempati Air is a favoured one, but only the smaller carriers fly to the furthest corners of the archipelago. Their safety records are a much discussed subject on Jakarta's cocktail party circuit. Note that special permission from the immigration department is needed to travel to politically turbulent areas such as Irian Jaya and East Timor.

Local transport

Taxis are plentiful and come in various states of disrepair. Whenever possible opt for Blue Bird or Silver Bird taxis and check the chauffeur switches on the meter before starting the journey. There is a small surcharge for the journey between Jakarta airport and the city centre. Avoid private limousine touts at the airport; they always charge over the odds. Haggling with taxi drivers should generally be avoided. Most hotels can arrange private car services and pick-ups from the airport.

Hotels

Most five-star hotels are conveniently located near the business district. The Grand Hyatt is considered the most luxurious ($290 a night). Other popular hotels are the Mandarin Oriental ($180), Shangri-La ($210), and the Regent ($195). Add 21 per cent tax and service.

Eating out

Business dining takes place mainly in five-star hotels and, as with most eating experiences in Jakarta, there is a trade-off between ambience and good food. Outside the hotels, a standard point of call is the Oasis restaurant which offers the traditional "rijsttafel" menu with as many as 10 courses. Pre-booking advisable. Cafe Batavia in north Jakarta, is situated in one of the oldest areas of the city and offers an extensive Chinese menu.

VIETNAM

By Jeremy Grant

Don't take the hair-raising journey into Hanoi from the airport as a guide to the way things will be during your stay in the capital. Although the streets are a chaotic jumble of mopeds and bicycles, the city has bags of French colonial charm, and it's worth taking time out between meetings to enjoy it.

Visas

All nationalities entering Vietnam must obtain a visa in advance. If you are visiting for the first time and just checking out opportunities, a tourist visa (valid for one month) is usually enough. Business visas last either three, six months or 12 months and are usually secured by the Vietnamese organisation hosting your visit. If none is, try asking the Vietnam Chamber of Commerce & Industry for guidance (International Relations Dept., 33 Ba Trieu, Hanoi. Tel: +844 824-8891; fax: 825-6446).

Airlines

Ho Chi Minh City is the business centre of Vietnam, and Tan Son Nhut airport – served by 18 international airlines – its main gateway. Domestic air travel used to be a trying experience as the main aircraft used were ageing Soviet-made Tupolevs. All that has changed; now a fleet of Vietnam Airlines new European Airbus 320s will whisk you between Hanoi, Ho Chi Minh City and Danang. Book all flights well in advance.

Local transport

Taxis from Tan Son Nhut to the centre of Hanoi – often still called Saigon – cost about $8. From Noi Bai airport to the city centre costs about $18. In Hanoi, there is no finer way to travel than by cyclo-rickshaw. But they are slow, so avoid using them to travel between meetings. Hire a car from your hotel for the business day then collapse into a cyclo and tour the colourful Old Quarter before dinner.

Hotels

There are plenty to suit all ranges in Ho Chi Minh City; less choice in the capital. Most popular in Hanoi is the Metropole ($219-$449), a renovated former French colonial redoubt. Others worth trying are the centrally-located De Syloia ($135-265) and the luxurious Hanoi Daewoo ($140-$629). In Ho Chi Minh City, popular choices are the Omni Hotel ($200-$800) and the New World Hotel ($185-$850).

Eating out

Vietnam has a challenging cuisine. In the north, Chinese-influenced dishes prevail and rice is a staple. Down south, the food is spicier and fried noodles are popular. For authentic Vietnamese in Hanoi, book at Nam Phuong (tel: 824-0926). In Saigon, a table at Tan Nam (829-8634) should please. Don't miss lunch in Hanoi at Hoa Sua (81 Tho Nhuom Street), a charming al fresco restaurant serving a mix of Vietnamese and French food with bakery attached.

PHILIPPINES

By Justin Marozzi

Don't expect the traffic from Manila's airport to the business district of Makati to get any better during your stay in the capital. It doesn't. Plan appointments with care and don't try to pack too much into one day or you will find yourself cursing in a three-hour jam. If you can, extend your trip by a few days, escape from the chaos of Manila and retreat to one of the 7,000 stunning islands.

Visas

Most western nationals are automatically given a 21-day visa on arrival. Indian nationals, Chinese citizens and nationals from socialist countries require a visa in advance. For stays between three weeks and two months, a visa should be obtained from the home Philippine embassy, although it is possible to extend your stay by application to the Manila Immigration Office.

Airlines

Manila's Ninoy Aquino International Airport is served by 37 international airlines. Philippine Airlines, the flag carrier, Cebu Air, Air Philippines, and AAI-Island Hopper are the main operators of relatively inexpensive domestic flights.

Local transport

Official taxis from the airport to Manila's business district of Makati cost about $14, but it is easy to find cheaper alternatives. As with all taxi rides within the capital, always ensure the driver puts the meter on, and refuse the offer of "pay me what you like" or you are guaranteed a colourful argument with him on arrival at your destination. Taxis are plentiful and cheap, but not always easy to hail, and it can be frustrating watching empty cars pass you by. Because the traffic is notoriously heavy, drivers frequently will refuse to take you beyond the local district. For this reason, it may be worthwhile keeping the driver with you all day. You'll pay more but will be spared the stress.

Hotels

The Manila Hotel ($200 a night) is where Michael Jackson and President Bill Clinton stay, but for the more practical businessman it is inadvisable to stay outside Makati, where most of your appointments are likely to be. There is a good choice, including the Shangri-La ($275), the Mandarin ($250), Manila Peninsula ($265), New World Hotel ($240), and the Intercontinental ($250).

Eating out

Local cuisine is difficult to find – the country has many cultural influences – but Manila has some excellent cosmopolitan restaurants. The best tend to be in the top hotels – Boccarino's in the New World, the Tivoli Grill in the Mandarin, or for first class French cuisine, Cheval Blanc in the Shangri-La. If you would like something a little more enterprising there are some very good Italian (Goodfellas, Primavera) and Japanese (Sugi) spots in Makati.

THAILAND

By Ted Bardacke

Bangkok's pace is hectic but things take forever to get done. Get into a rhythm: relax in the traffic between your one appointment in the morning and one in the afternoon.

Visas

Most western and Asian nationalities can enter Thailand without a visa; a 14-day permit is available on arrival. Two-month tourist visas are issued in one day at Thai embassies around the world, while three-month business visas (not essential unless you are arriving to take up residence) take a bit longer.

Airlines

Bangkok is served by 66 international airlines, and is easy to get to. Within Thailand, Thai Airways flies to all major destinations and has connecting limousine services to smaller cities. Two smaller airlines connect some tourist destinations and provincial cities.

Local transport

From Bangkok's Don Muang airport the options range from limousine service ($16-$24 to most areas) to metered and non-metered taxis ($5-$15), for which you sometimes must wait. Most hotels will also arrange to pick you up, the price of which can range from free to expensive.

Unless you know where you're going and can communicate it in Thai, taking local taxis can be a trying experience. They are cheap, however, with most rides costing under $5. Hotel cars with drivers are risk-free but can cost up to $100 per day.

In an extreme rush, risk your life and take a motorcycle taxi. Don't hire a self-drive car unless you are travelling outside Bangkok and are prepared to get lost. Because of the premise that if you are wealthy enough to fly someone will be waiting for you with a car, it can be difficult getting local transport at some provincial airports unless you prearrange it.

Hotels

Location is key; stay close to where you work. The Oriental Hotel ($256 a night) is Bangkok's top choice but may be too out of the way for many. The Dusit Thani, the Regent and the Grand Hyatt Erawan ($170-$215) are all central, while the Sheraton and Imperial Queen's Park ($170-$210) are best for those working in the Sukhumvit area. A good middle-level choice is the Novotel in Siam Square ($115).

Eating out

Bangkok is an eater's paradise; Thai and Chinese (particularly for entertaining business clients) are the best bets, and most top hotels provide excellent western fare. Try Ban Khun Phor ($8 per person) in Siam Square and Chao Sua ($15-$30) in the World Trade Centre. A dinner along the Chao Phraya river – River City Mall's rooftop BBQ ($20) or a riverside hotel – should not be missed.

Travellers' tales

Three business executives talk to **Stewart Dalby** about problems and frustrations encountered by busy travellers

David Burnside

Chief executive, David Burnside Associates

David Burnside *(pictured left)* is a firm believer in travelling with just one bag whenever possible, but for a different reason. He has memories of checked-in baggage going astray.

"When I used to work for British Airways in the early 1980s we used to refer to Heathrow Airport as Thiefrow," he says.

"You could never prove baggage was being tampered with, but it seemed to get lost all the time and if it didn't get lost there could be a long wait to retrieve it."

Mr Burnside, who is chief executive of David Burnside Associates, which is involved in PR, advertising and political communications and campaigning, feels that baggage reclaim has improved in recent years, but still prefers to travel light. With associate offices in Brussels and New York, and interests such as fishing in Africa, as well as frequent trips to Northern Ireland, he estimates he spends one week in four travelling, often to remote locations.

He believes good organisation is the key to success. "It is important in eastern Europe and Africa to think ahead about what you are going to need for airport taxes, tips and taxis and to exchange money at the best rate," he says.

But even the best-laid plans can go wrong. Recently Mr Burnside was returning to Nairobi from a fishing trip near Mombasa on the Kenya coast. His party had checked in at the airport and waited...and waited...and waited. After four hours the airline announced the flight couldn't go because the pilot had not turned up for work.

Les Middleditch

Sales and marketing director, Hogg Robinson BTI

Queues are the bugbear of many a traveller, and for someone who travels on business frequently they can mean a loss of valuable time.

Hotel queues appear at the top of Les Middleditch's list of pet hates. The sales and marketing director of Hogg Robinson BTI *(pictured right)* says: "Everyone seems to want to check out at the same time as me...usually first thing in the morning. Most business travellers want to get their work done and travel as quickly as possible." Checking out is getting easier now with computerised check-outs in individual rooms.

His company has a computerised profile of each client company, listing how that company expects its executives to travel, which class on aircraft and which grade of hotel. Each passenger also has a file stating his or her preferred airline and hotel.

Mr Middleditch, who travels to continental Europe or the US most months, advises business travellers to travel light, to save time and hassle.

"I always try to take just one bag, even on trips to the States," he says.

"I never check in any luggage for the hold if I can possibly avoid it.

"It is much easier to have just hand luggage. The aircraft lands and you walk straight off. You haven't got to hang around for luggage. It is the same with booking in. It is much quicker."

Mr Middleditch also saves time on some trips by booking an aisle seat on the aircraft. "You can be first off the aircraft. If you are in the window seat you have got to tramp over everyone."

Another practice Mr Middleditch has adopted recently is chauffeured parking. This means you merely arrive at the airport and hand over your keys to a driver rather than driving around looking for space in off-site parking.

He says: "It is especially good coming back. If you have got a mobile phone you can call through and your car is waiting for you by the time you reach the terminal."

Photographs by Fergus Wilkie

Jackie Stewart

Chairman, Stewart Grand Prix

Jackie Stewart *(pictured above)*, the former Formula 1 motor racing champion, travels extensively and believes in loyalty...his loyalty to an airline, hotel group or any another business that has proved itself with good service.

He always stays in the same hotels whenever he can. The Ritz Carlton in Detroit and the Oriental in Bangkok are examples.

He always uses the same airline if possible, in his case British Airways.

"This way they get to know you," says Mr Stewart. "The airline and hotels know my needs and I get the service I require."

Is there anything in particular that annoys him about business travel? "I get irritated when an airport doesn't provide adequate staffing for immigration and customs," he says.

"I think this reflects badly on the town or city. Miami used to be terrible, with great long queues, but has improved. Detroit could be better."

Mr Stewart recently moved from his home in Switzerland to Milton Keynes in Britain's Midlands to set up a new Formula 1 team with his son, Paul. He is chairman of Stewart Grand Prix, which is is being developed in conjunction with Ford.

He has his own executive jet for travel around Britain and continental Europe, but uses airlines for visiting the US and the Pacific Rim.

"When travelling on business, which accounts for 95 per cent of my travels, I always try to take just one piece of hand baggage on the aircraft. I was forever losing checked-in baggage."

Mr Stewart, who reckons to be away from home on business 200 days a year, estimates he travelled some 400,000 miles last year. He says: "You can easily travel with just one bag now because of the way the hotels have improved their services. Good hotels do one-day laundry or overnight laundry. So even if I am going on a two-week trip I need only take two shirts, and two changes of clothes. You can have them washed frequently."

Travellers' security and safety

Busy execs can be easy targets

A thief has probably got his eyes on you and your laptop PC or briefcase from the moment you leave home or office. Roger Bray reports

It is a moment of horror which has confronted many frequent travellers. You arrive at the airport or rail station and reach into your shoulder bag for tickets and passport. Then the chill strikes. The zips, you realise, have been opened already...by somebody else.

Business travellers in a hurry are juicy prey for the quick-fingered dip. An unguarded moment or a cleverly arranged diversion are all it takes.

The advent of electronic communications has produced a new hazard, however. A thriving market has grown up in stolen laptops.

There have been widely reported instances of passengers placing them on X-ray conveyor belts, never to see them again. While you empty small change and keys at the metal detection arch, a travelling thief picks up your computer beyond the security check and walks off with it. The only defence is constant vigilance.

With some laptops now costing £3,500 and more, it is hardly surprising that the same advice applies at hotels. And while some security experts say overhead projectors which plug into them are as yet a little bulky to smuggle out, they will also become targets as they get smaller. "Theft of laptops is unquestionably the biggest headache for business travellers in the 1990s," says Chad Callaghan, senior director of loss prevention for the Marriott chain. "Mostly they disappear from meeting rooms while guests are out for lunch or a coffee."

There is also a certain amount of distraction theft, he says, where someone will catch your attention as you pay off a taxi, for example, while an accomplice makes off with the computer.

Some hotels provide cables, not unlike those which come with bicycle padlocks, so that customers may lock their computers to a table or chair. Marriott, says Mr Callaghan, plans to fit meeting room doors with combination or key card locks.

Cards which open hotel room doors when you swipe them through an electronic reader are frustrating when they fail to work but they are clearly more secure than numbered keys, which are still used at many hotels. Callaghan says his company is introducing them as rapidly as possible.

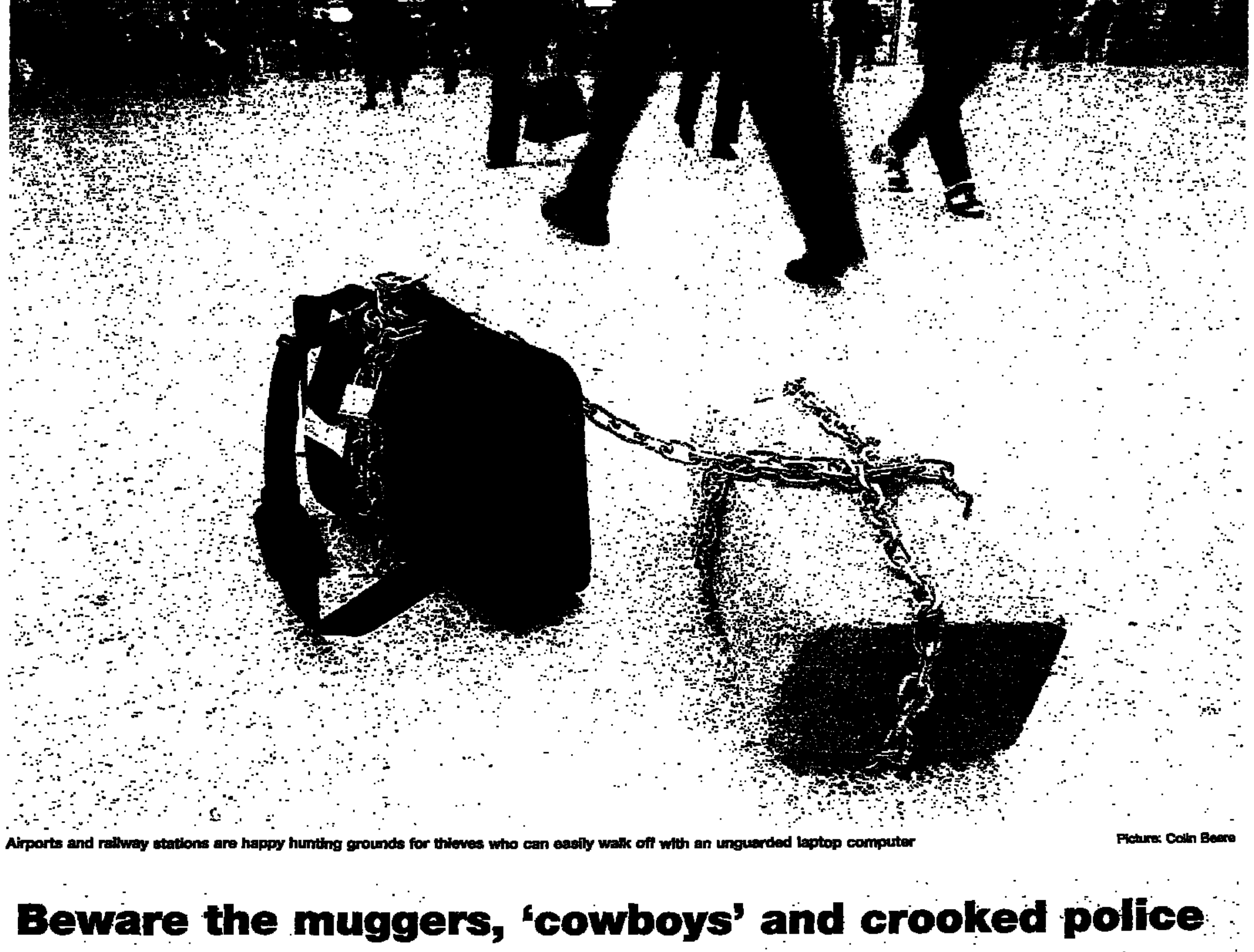
Rex Rice, senior vice-president for purchasing and standards at Inter-Continental, agrees that laptops are "vulnerable", but says measures being taken have reduced the incidence of theft. "People can no longer come back later and use the same key, plus we can interrogate locks to see who went into the room, whether it was guest or staff – and what level of staff.

"We have asked staff to watch meeting rooms during coffee and lunch breaks. We are installing more security cameras and we are ensuring that every employee in the front of the house is part of the security structure."

One problem with security is that it is difficult to give advice to a hard-bitten business traveller without sounding patronising. Just as it should be obvious commonsense to double, or triple, lock your hotel room door, using the chain and a dead bolt if there is one, guests inside their room should check through the spyhole to see who is knocking. And just as you should always back up material on your laptop, carrying it on a floppy disc, so you should keep one credit or charge card separate from the others, for use in emergency.

Using the in-room safety deposit box should be automatic, too. The main deterrent has been a fear that you will forget the number you punched in just as you are rushing to check out. That problem has been overcome at some hotels, where boxes operated by credit cards have been installed. The downside is that this makes it very easy for hotels to charge you for using them.

Most victims of travelling crime are insured – but that isn't the point. It is not financial loss which leaves you white knuckled with frustration but the sudden feeling of nakedness, the loss of identifying documents, the need to cancel cards and replace them quickly. And, fortunately, most crimes against business travellers pass without violence, though not without instilling fear. In Spain, for example, gangs have followed passengers renting cars at Madrid's Barajas airport, waiting until they pull up at lights to swoop and rob them. A smashed window and a snatched briefcase hardly sets you up for a crucial business meeting.



Airports and railway stations are happy hunting grounds for thieves who can easily walk off with an unguarded laptop computer — Picture: Colin Beere

Beware the muggers, 'cowboys' and crooked police

Some crimes are a permanent feature of many countries or cities. In others they come and go. Roger Bray offers a current check-list:

- In third world countries, dress down if you go exploring, take as little cash as you can get by on, and keep expensive items such as cameras or laptops well concealed. Never use unmarked taxis.
- Muggings, sometimes violent, are a danger in Russian cities. In Moscow and St Petersburg, watch out for groups of children and vagrants. Travel only in marked taxis.
- Policemen in the central Asian republic of Kyrgyzstan are far from wonderful. They are reported to be carrying out muggings without even having the decency to change out of their uniforms. You should avoid riding in unofficial taxis there, too.
- Watch out for "cowboy" taxi drivers charging exorbitant fares into Paris from Charles de Gaulle and Orly.
- Pickpocketing and handbag snatching are common in large Spanish cities. Avoid carrying credit cards, cash, tickets and passport in the same bag or briefcase.
- There has been an upsurge of car theft in Latvia. Use guarded car parks if possible. Visitors to the capital, Riga, and other towns are warned to steer clear of unlit streets at night.
- The "honey trap" has gained favour recently in China. The sexual come-on is increasingly used not just to extract information from travelling businessmen but to get close enough to steal laptops and mobile telephones. It has been made easier by the westernisation of cities such as Shanghai and the opening of more night clubs and smart hotel bars.
- Bogus policemen are a hazard in Iran and Romania. Their technique is to demand to see proof of identification – and then make off with cash or documents. If in doubt, demand they take you to a police station. And keep your passport separate from other valuables.
- Do not accept food or drink from strangers – it may be drugged. This problem has been identified in Russia, Bulgaria and Thailand.
- The UK Foreign Office says there is a "serious risk" of theft on trains in Poland, particularly on international services and especially when boarding. Passengers should keep valuables such as jewellery, watches, cameras, wallets, purses and passports out of sight.
- Don't walk alone at night in Almaty, or other cities in Kazakhstan.
- Crime can be blatant. In and around Panama City's Avenida Central, muggings occur in broad daylight.